EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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JAPAN
Car wars after the yen shock
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World News

Full Senate to vote on US-Japanese fighter deal

The full US Senate will vote on the $7bn US-Japanese project to develop the FSX fighter aircraft, which narrowly escaped a committee bid by senators to block the deal. Page 20

Steel in Italy
David Steel, former leader of the UK Liberal Party, is to fight an Italian seat, the first time a leading politician from one EC country has fought in another. Page 20

Democrat resigns
John Mack, executive director of the US Democratic Steering and Policy Committee, resigned over an assault conviction. Page 3

Peking student call
Peking student activists plan to ask Mikhail Gorbachev to discuss freedom and democracy with them during his visit to China next week. Page 4

Kashmir violence
Terrorist violence has returned to Kashmir after a lull during the month-long Moslem fast of Ramadan. Page 4

Swiss rail link
Switzerland proposes to build two new Alpine rail tunnels to meet the European Community's request for a north-south freight route. Page 2

SA minister quits
Mr Chris Heunis, the Cape leader of the National Party, is to resign. Page 4

Mexican teacher pay
A majority of Mexico's dissident teachers have decided to return to work, having accepted a final pay offer worth 25 per cent. Page 3

Turkish drug haul
Turkish para-military guards have seized 186 kilos of pure heroin with a street value of up to $40m in Europe during a raid on a village near the Iranian border.

Recruit questioning
Public prosecutors investigating the Recruit financial scandal in Japan have questioned Takao Fujinami, a former chief cabinet secretary. Page 4

W German water
West Germany is to receive a formal legal complaint from the European Commission for failing to bring its water purity standards up to Community levels. Page 2

Thais back to work
The first 250 of nearly 10,000 Thai workers expelled from Singapore six weeks ago will return legally to their former jobs next week. Page 4

Walesa appeal
Solidarity leader Lech Walesa told Italian President Francesco Cossiga that Poland had lifted the Iron Curtain and now needed Western economic aid.

Belgium-Zaire talks
Belgium and Zaire opened talks in Morocco in an attempt to end a dispute that has soured their relations since last December.

Coup for Dior
Christian Dior has ousted veteran fashion designer Marc Bohan and replaced him with an Italian in a surprise move that stunned the French fashion world.

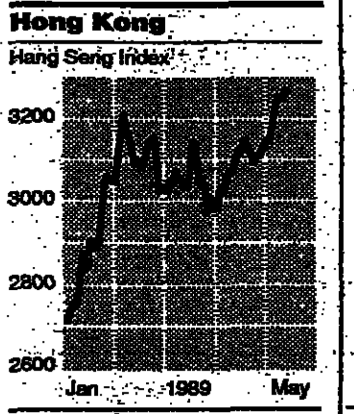
Business Summary

Grand Met share price falls despite $500m profit

Grand Metropolitan, the UK food and drink group, announced interim pre-tax profits of $500m, but share prices fell amid concern at its purchase of Pillsbury, the US food manufacturing and restaurant chain. Page 21

HONG KONG edged its way to another post-crash peak after a cautious day's trading. The Hang Seng index rose 4.12

Hong Kong



to 3,285.10 after opening slightly lower. Turnover was higher at HK$1.68bn.

ROYAL DUTCH Shell Group and British Petroleum, the private oil companies, said rising oil prices had a mixed benefit on interim results. Page 21

GENERAL MOTORS of the US and Isuzu, GM's Japanese affiliate, are to invest £116m to produce a four-wheel drive vehicle in the UK. Page 8

LUFTHANSA German Airlines and Air China, the Chinese national airline, have signed a joint venture agreement in Peking. Page 6

AUSTRALIAN media magnate Rupert Murdoch, has made a bid to buy a Spanish television channel. Page 22

OCEAN TRANSPORT & Trading of the UK, is buying 50 offshore vessels from VTG of West Germany. Page 30

WESTDEUTSCHE Landesbank (WestLB), West Germany's fourth biggest bank, announced operating profits fell to $419m. Page 22

GEEST, UK fresh produce business, bought a US manufacturer of chilled salads for up to $17m. Page 30

LTV, US steelmaker, plans to build a $200m steel mill in a joint venture with Sumitomo Industries of Japan. Page 23

BERGESEN, Norway's leading bulk shipowner, has ordered two gas carriers from Japan's NKK Corporation. Page 6

NEWMONT Mining, the US gold producer part-owned by Consolidated Gold Fields of the UK, plans to transfer $425m in debt to its coal subsidiary, Peabody Coal. Page 23

ESSO ITALIANA, subsidiary of the US energy group, cast an unusual vote of no-confidence in the Italian Government. Page 23

SANDVIK, Swedish cemented carbide and special steels group, announced profits up 15 per cent. Page 22

HONDA of Japan has lost a five-year battle to build a motorcycle factory in Cordoba, Argentina. Page 6

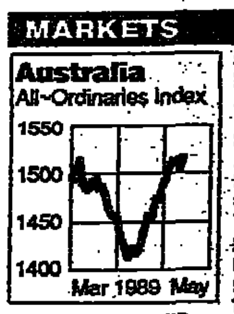
BRITAIN'S 48 Group announced trading programmes worth $5.4bn agreed with Chinese authorities. Page 6

KOITO MANUFACTURING, Japanese vehicle lighting company in which Mr T Boone Pickens, the Texan corporate raider, has taken a $1bn-plus stake, has reinforced its anti-takeover defences. Page 24

NATIONAL Westminster Bank, of the UK, is to increase its stake in Banco NatWest March, its Spanish banking subsidiary. Page 23

MARKETS

Australia
All-Ordinaries Index



INTEREST RATES
US lunchtime
Federal Funds 9 13/16% (9¾)
3-mth Treasury Bills: yield: 8.7% (8.8)
Long Bond: 97⅝ (97⅜)
yield: 9.09% (9.10)
London
3-month interbank: close 12⅞% (12 13/16)

STERLING
New York lunchtime
$1.66665 (1.67385)
London:
$1.6655 (1.6720)
DM3.1875 (3.1850)
FFr10.7775 (10.7550)
SFr2.8400 (2.8300)
Y225.25 (224.75)

DOLLAR
New York lunchtime
DM1.9136 (1.9015)
FFr6.4665 (6.4205)
SFr1.7065 (1.6910)
Y135.235 (134.40)
London:
DM1.9135 (1.9050)
FFr6.4700 (6.4325)
SFr1.7050 (1.6925)
Y135.20 (134.40)

GOLD
New York latest
Comex June
$381.7 (379.0)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,378.77 (+5.32)
S&P Comp
305.60 (+0.80)
London:
FT-SE 100
2,110.5 (-6.4)
World:
145.29 (Wed)
Tokyo
Nikkei Ave
34,091.49 (+89.14)
Frankfurt
Commerzbank
1,709.0 (-2.3)

OIL
Brent 15-day (Argus)
$18.525 (+0.575) (June)
West Tex Crude
$20.145 (+0.82) (June)

Baker to brief Nato today ● Bonn and London fail to agree ● Talks resume in June

Moscow plans new arms cuts

By Bruce Clark in Moscow

MR Mikhail Gorbachev yesterday launched what Moscow described as a "most important" arms control initiative, including unilateral cuts in short-range nuclear weapons, during talks with Mr James Baker, the US Secretary of State.

Mr Gorbachev's move came as Mr Baker left Moscow for Brussels where he is due to brief the Nato council today. Nato is deeply divided over the issue of short-range arms.

UK officials were unable last night to comment on the Soviet proposals before seeing the detail, which they expect to get from Mr Baker today.

But if Mr Gorbachev is again proposing negotiations on short-range nuclear forces (SNF), the British answer seems predictable: UK ministers have repeatedly ruled out such negotiations, arguing that once started they would lead inexorably to a "Third Zero," or the removal of all land-based short-range missiles.

They say this would fatally undermine Nato's "flexible response" defence strategy.

Details of the Soviet proposals will emerge as Mr Eduard Shevardnadze, the Soviet Foreign Minister, arrives in West Germany, where the Bonn Government, in sharp contrast to Britain and the US, wants early negotiations on short-range nuclear arms.

Some UK officials said last night that a Soviet proposal for unilateral cuts in short-range forces might make it easier for Nato to resolve its internal argument about possible future negotiations on controlling this category of weapon.

In Moscow, Mr Shevardnadze was speaking after two days of talks with Mr Baker in which it was agreed that superpower negotiations on space and nuclear weapons would resume in mid-June.

He said Mr Gorbachev's proposal was "a most important initiative ... concerning reductions in Soviet tactical nuclear munitions in Europe and a comprehensive resolution of this question."

He said the proposal contained some unilateral measures concerning the reduction of tactical nuclear weapons in Europe.

SHORT-RANGE NUCLEAR MISSILE LAUNCHERS
Atlantic to Urals (April 1989)

NATO Missile	No	Range	WARSAW PACT Missile	No	Range
Lance	88	120km	Scud	600+	280km
Pluton (France)	32	120km	Frog-7	600+	70km
			SS-71	200	120km
TOTAL (Western figures) 120				1,450	
TOTAL (Soviet figures) 138				1,608	

The Soviet move is widely expected to fuel US and British irritation at what they see as Moscow's efforts to exploit divisions in Nato.

Mr Shevardnadze's announcement stole the diplomatic thunder from Mr Baker, a few hours after the Secretary of State had acknowledged that he had discussed short-range arms with Mr Gorbachev, although he had given no indication that specific proposals were made.

He added that in the view of the Warsaw Pact's advantage in short-range missiles, "before we start talking about sitting down and negotiating ... it would be advisable if that imbalance were reduced voluntarily and unilaterally."

Edward Mortimer and David White in London write: Sir Geoffrey Howe, the British Foreign Secretary, yesterday repeated the British stance on short-range weapons in talks with Mr Hans-Dietrich Genscher, his West German counterpart, on a visit to London to try to narrow the gap between London and Bonn on the issue in advance of the Nato summit to be held at the end of the month.

There was little to indicate that Mr Genscher's efforts had succeeded and both ministers refused to do more than list the topics they had discussed.

Mr Genscher later denied that he was a closet "Third Zero supporter." He pointed out that he was co-author of the West German Government statement on the issue (which calls not for a Third Zero but for the negotiation of "minimal ceilings" on short-range missiles) and said he was "sticking to it word by word."

Britain has repeatedly suggested that Moscow should make cuts emulating the one-third reduction in US tactical nuclear warheads in Europe made over the last 10 years.

Nato estimates of Soviet short-range nuclear missile systems fall short of the Soviet figure of 1,608. US and UK officials put the total at about 1,450.

The figures compare with 88 Lance missile launchers deployed by Nato armies, excluding France's independent nuclear forces. According to UK figures, Nato also has 2,500 nuclear artillery pieces, against an unknown proportion of the Warsaw Pact's total of 7,000.

UK bankers protest over EC plan to curb insider dealings

By Norma Cohen and Stephen Fidler in London and Tim Dickson in Brussels

FAR-REACHING European Commission proposals to outlaw insider dealing have stirred fierce criticism from bankers in London.

A draft directive, discussed by a working party in Brussels yesterday, would go well beyond the requirements of existing UK laws, which are already among the toughest in Europe, bankers say.

Two lobby groups, the British Bankers Association and the British Merchant Banks and Securities Houses Association, are urging the UK government to stiffen opposition to the proposed directive.

They say the proposals would allow directors of banks to be held responsible for acts of insider dealing by subordinates even if the director was unaware of or did not approve of the activities.

The current phrasing of the proposed directive also causes concern to the British Government. The broad definition of the offence as currently defined, it is argued, would not only be unworkable but could potentially prejudice large numbers of people such as analysts and journalists for whom the law is not intended.

However, a majority of member states is believed to favour legislation which would provide a wide definition of insider trading. Spain, as current president of EC meetings, may put the issue on the agenda of next month's Council of Community economics and finance ministers.

The Spanish Government and the European Commission have been stepping up efforts in Brussels to reach rapid agreement on the issue. The proposals now appear to be making progress after being stalled for some 18 months.

The Commission is said to be conscious of growing international publicity surrounding insider trading scandals and feels that the Community should be seen to be taking a lead. The proposed directive notes that a number of EC countries have no laws prohibiting insider trading.

At the heart of City objections to the proposals lies the broad definition they give of inside information – price-sensitive information which has

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Stabilisation shown the red card, Page 26

US orders more troops to Panama

By Lionel Barber in Washington and Tim Coone in Panama City

PRESIDENT George Bush yesterday prepared to send several thousand US troops to Panama as part of an international effort to step up pressure on General Manuel Antonio Noriega, the country's military leader, to resign.

US officials said the troop deployment would aim to protect US citizens in Panama following a decision by Gen Noriega to invalidate last Sunday's presidential elections and crack down on the opposition.

The election results were nullified late Wednesday night after a day of violence which left several people dead and many injured, including Mr Guillermo Endara, the opposition presidential candidate.

Throughout the day, President Bush consulted with congressional leaders as well as other Latin American states in an attempt to isolate the Panamanian Government and persuade Gen Noriega to step down.

The dispatch of US troops, heightening what is already a tense atmosphere, would strengthen a US military force of about 11,000 in Panama. The deployment is believed to amount to 4,000 troops.

Foreign diplomats in Panama are increasingly worried about a rapid escalation of the crisis, and the growing possibility of a US military intervention. On Wednesday evening, US forces based in Panama were placed on a higher alert, to a stage before the evacuation of US citizens.

However, officials stressed that the US deployment did not signal the beginning of an invasion and that any immediate action would fall within the provisions of the 1977 Panama Canal Treaties.

In Panama, the atmosphere was tense after the previous day's violence and the decision to nullify the elections. On Wednesday night, Mr Guillermo Ford, the vice presidential candidate for the opposition alliance, was severely beaten and one of his bodyguards was killed by a paramilitary squad. Mr Ford was abducted and taken away in a police vehicle. Mr Endara had a suspected fractured skull.

Later on Wednesday night, Ms Yolanda Pulice de Rodriguez, president of the electoral tribunal, declared the elections "totally null and void" in a nationwide television broadcast arguing that "incidents have occurred... which have significantly altered the final results of the elections in the entire country."

She blamed the presence of foreign observers for having obstructed the electoral process and for promoting "the thesis of an electoral fraud."

The decision to nullify the elections leaves a breathing space in which Gen Noriega can decide what step to take next. It is a de facto recognition that Mr Carlos Duque, the pro-government candidate, would never be recognised as legitimate President by other Latin American countries, the US, or by European countries.

It also leaves an opening for negotiations between Panama and other Latin American countries. Since last Sunday's elections, the Bush Administration has been shaping a twin-track approach aimed at combining Latin American diplomatic pressure on Gen Noriega with the need to protect US citizens in Panama.

After a meeting between Mr Bush and congressional leaders, Democrats and Republicans expressed support. Mr Jim Wright, the House Speaker and top Democrat said: "His first responsibility is to ensure protection of American life and we embrace that."

In the meeting at the White House, the President set out the full range of options, which include further economic sanctions against Panama. Afterwards, the White House said

Continued on Page 20

Panama's politics grow up under fire, Page 3

Bank details may be sent to US

Details of bank accounts held in London by General Noriega can be passed to US drug enforcement agencies, the British High Court has decided.

Details of the accounts and other documents relating to the Panamanian leader, who has been indicted in the US on drug trafficking offences, were found by UK Customs officers investigating the laundering of drug money in a raid on the London offices of Bank of Credit and Commerce International.

The bank had sought to prevent transfer of the information because it feared for the safety of its employees in Panama. Page 26

US steps up pressure on Shamir over polls

By Our Correspondents in Jerusalem, Moscow and Washington

THE US has asked Israel to clarify key points of a proposal for elections in the West Bank and Gaza Strip, increasing pressure on Mr Yitzhak Shamir, the Prime Minister, to find a way to end the 17-month-old Palestinian uprising in the occupied territories.

The call came as the Bush Administration stepped up its diplomatic activity in the region with plans to send a team of specialists to the Middle East this weekend to discuss the elections issue.

Further pressure on Mr Shamir is likely after the agreement between Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, in Moscow yesterday to intensify co-operation on the Middle East.

Mr Baker said he and Mr Shevardnadze had "talked about the importance of giving

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NM Schroder to cut British workforce in business review

By Our Financial Staff in London

NM Schroder, the Australian-owned unit trust group and Britain's 15th-largest, yesterday announced severe job cuts, reducing its UK workforce by about 15 per cent. The cutbacks are likely to be followed elsewhere in a sector which is already facing widespread rationalisation.

Schroder is making 180 redundant with the closure of two offices, centralising operations in an office in the south of England.

The troubled unit trust and linked life assurance group was until three years ago part of Schroders, the leading City of London merchant banking group, and certain funds are still managed by Schroder Investment Management in London.

National Mutual Life Association of Australasia, Australia's second-largest life company, bought the Schroder retail investment business for £99m ($168m) in September 1986. Schroders, the banking group, wanted to bolster its capital base during the stock market restructuring in October 1986.

But National Mutual wanted to expand in a new and larger market place, being severely limited in its own domestic Australian market, where it is the second-largest life office. Until 1986 National Mutual only operated a small, traditional life business in the UK, and sought an entry into the much more buoyant unit-linked area. But a year later the stock market crash led to a slump in the unit trust industry, forcing NM Schroder to carry out a comprehensive review of its business.

The latest cuts are part of a plan to improve profitability, reduce costs and develop a competitive strategy in an "increasingly difficult" market.

Among the casualties are Mr Ian Sampson, former head of the unit trust company, and Mr John Carr, the marketing director, who are both leaving.

Mr Robert Taylor, chief executive of NM Schroder Financial Management, said the changes being implemented would give the group the ability to react swiftly and positively to market changes while maintaining competitive pricing policies.

"Our parent company is also committed to successful international expansion," he added.

National Mutual faces a further problem when the banking group relaunches the Schroder name in the retail market in October.

The Australian group cannot use the National Mutual name because of a clash with a UK office. Consequently, it faces being left with the distinctly anonymous title of NM.

CONTENTS

EUROPEAN NEWS

Switzerland acts to stop drug cash laundering

By William Dullforce in Geneva

THE SWISS Government has taken two important decisions aimed at preventing the laundering of "dirty" money through Swiss banks and companies.

The decisions, incorporated in a bill which will shortly be submitted to parliament, will plug a loophole in Swiss legislation which allows the profits of drugs trafficking to be laundered through Switzerland with impunity.

Government action has been spurred by disclosures of money laundering during the investigation into the "Lebanon Connection" heroin-smuggling case.

These disclosures led to the resignation of Mrs Elisabeth Kopp, the Justice Minister, in January. The government's bill will propose that anyone acting to thwart an investigation into the origin, the discovery or confiscation of assets that he or she knows, or must assume, stem from a crime will be committing a criminal offence.

For severe cases the penalty will be imprisonment for up to five years and a fine of up to SFr1m (£350,000). The law will state explicitly that the act is punishable even if the main crime was committed abroad.

Secondly, the government proposes a penalty of up to one year in prison and a fine can be imposed on anyone who does not show "sufficient care" in identifying the beneficial owner when accepting, transferring or helping to invest foreign assets. In the face of strong opposition from the banks the government has abandoned the idea of making "negligence" in handling laundered money an offence.

The banks had complained that this would turn them into policemen.

Mr Arnold Koller, the new Justice Minister, emphasised that the new law would apply not only to banks but also to money-changers and finance companies. Mrs Kopp's husband was vice-president of a finance company named by the prosecutor in the Lebanon Connection investigation.

Swiss plan £2.7bn Alpine rail tunnels

By Our Geneva Correspondent

SWITZERLAND proposes to build two new Alpine railway tunnels at a cost of SFr7.6bn (£2.7bn) to meet the European Community's request for a north-south heavy freight route.

"Switzerland is building in her own interest but investing at the same time for Europe," Mr Adolf Ogi, the Minister in charge of transport, said when outlining the plan which will be put to parliament in the autumn and will probably have to be submitted to a national referendum.

The project aims at bringing into being two combined road-rail routes between southern Germany and Italy by which heavy lorries can transit through Switzerland on railway waggons. A new 49km tunnel will be pierced alongside the existing Saint-Gotthard tunnel and a complementary 28.4km tunnel will be built at Lötschberg on the route between Berne and Brig.

Switzerland imposes a ban on lorries over 28 tonnes, with the result that the bulk of the EC's north-south freight traffic currently has to take the Brenner pass in Austria, which is already overcharged.

The European Commission's proposal that Switzerland open a road corridor for 40-tonne vehicles has been refused by the populations of the Swiss cantons through which it would run. The Commission is continuing talks with Berne on both short-term and long-term solutions to the problem which is likely to be aggravated when the EC single market comes into being in 1993.

Bagnoli plant deal delay

ITALY'S anxiety to avoid reigniting controversy over the future of the Bagnoli steel smelter in Naples before the European parliament elections appears to be hindering a possible agreement with the European Commission which might delay its closure, John Wyles reports from Rome.

During a meeting with Mr Carlo Fracanzani, Italy's Minister for Public Investments, Sir Leon Brittan, the EC's Commissioner for Competition, is understood to have signalled his readiness to support an Italian request to maintain steel production at Bagnoli beyond the July 1 closure date to which Italy originally agreed last year.

However, Sir Leon is also believed to have insisted that any Commission backing for a reprieve depended on the Italian government making a firm declaration that steelmaking would be shut down once the stay of execution had expired.

Mr Francanzi undertook to discuss this with his colleagues, but it seems that he and other ministers do not want to risk a repetition of the street riots which hit Naples last December until after the June 18 poll.

Moscow to hold foreign currency auction

By Quentin Peel in Moscow

THE first auction of foreign currency for Soviet roubles will be held very soon, possibly this month, a top Soviet banker said yesterday.

The step marks the first very tentative move towards the still distant goal of a fully convertible rouble.

However, the auctions to be held by the Vneshekonombank (the Bank for Foreign Economic Relations) will initially be restricted to Soviet enterprises alone. Joint ventures and foreign companies will only be allowed to participate at a later stage.

The latest details were revealed by Mr Yuri Moskovsky, chairman of the Vneshekonombank, in an interview with Pravda, the Communist Party newspaper.

Mr Moskovsky said the auctions would enable Soviet enterprises operating exclusively within the domestic economy to gain access to hard currency, for example in order to import new equipment. At first only Soviet enterprises and organisations would participate. Later joint ventures, and then foreign companies could take part.

The Soviet authorities are pressing ahead with the auctions, first announced in December, in spite of widespread fears that they will result in a dramatic plunge in the value of the rouble on the auction floor.

The latest dire warning was published in the same newspaper only on Wednesday, by a leading academic economist.

"We will see just how far the rouble exchange rate is capable of plunging at the currency auctions, if we manage to get these off the ground," Professor Georgy Matukhin of the USA and Canada Institute said.

He warned that billions of roubles were in circulation without the backing of goods available to buy. The result would be virtually unlimited demand for foreign currency at rates far in excess of the black market.

"There are very serious doubts that these rouble auctions will work: the supply and demand for them would scarcely be balanced, even if the exchange rate were Rs1,000 to the dollar," he said.

The official exchange rate is one rouble to $1.6, but on the black market the rate is anything up to Rs10 to the dollar.

Vneshekonombank's decision to exclude joint ventures and foreign companies from the auctions at first may be related to the concern at the imbalance between supply and demand which may emerge.

Mr Moskovsky said the duration of the auction would depend on how much foreign currency was offered. Under recent legislation, Soviet enterprises are allowed to retain a proportion of their export earnings, and it is from this limited pool that the supply of hard currency in the auctions is supposed to come.

When a matzo factory is not enough

Despite liberalisations, Soviet Jews are still haunted by prejudice, writes James Blitz

FOR half an hour, the elderly Jewish man, an old soldier in his 70s, asked questions. What is the world like outside the Soviet Union? What do people think of Gorbachev? What is the political situation like in Israel? He paused. "Can you help me get to Israel?" he asked.

He and his family are among the half-million Soviet refuseniks who still want to leave the USSR, some for Israel and most for the US, but who have not yet received their exit visas. These days there is an irony underlying their request. They are trying to leave the Soviet Union just as the authorities are allowing the country's 2½m Jews to lead a religious life that has been impossible for six decades.

Indeed, the refusenik's plea to emigrate was all the more remarkable for the place where he was making it. He was standing inside the Solomon Mikhoels Centre, the first Jewish cultural organisation to be set up in Moscow since the height of Stalinism, and the kind of institution Soviet Jews have been dreaming about since before the war.

Only a year ago, such an institution still seemed a far-off prospect. In May last year, a hundred Jews from all over the country gathered in Moscow to try to set up this kind of cultural movement. For three days, they searched the city for a building in which to hold their meeting, but no Soviet citizen would risk the wrath of the authorities by giving a venue to a Jewish group.

The gathering was eventually held in a park, in the company of several dozen KGB men who played loud recorded music to drown out the speeches, asked repeated questions of the participants and followed most of them home.

It is hard to believe that the perestroika of Jewish life will not go on.

One year on, the Jewish cultural centre has solid walls, and the KGB are outside them. The Mikhoels Centre, named after one of the USSR's greatest Jewish actors, is situated on an attractive site in the Taganka district of Moscow, the heart of theatreland.

Mr Mikhail Gluz, the centre's director, says six lectures on Jewish culture have already been held there, each attended by around 200 people. There is a theatre and an exhibition hall, both newly-plastered, a description hardly applicable to most buildings in the Soviet Union.

The new centre is just one milestone among the many passed by the Jewish community in the last year. Several weeks ago, a new Jewish newspaper appeared in Moscow for the first time, called News about Soviet Jewish Culture. It is well-produced by an official Soviet printer, though relatively expensive at 75 kopeks (75p).

The inauguration of Moscow's first Jewish newspaper was preceded by the opening of Moscow's first matzo factory, just in time for Passover. And last week, the authorities gave back to a Moscow synagogue one of its former buildings, the first time that property taken from the Jewish community has been returned.

The Soviet government's new policy is not perfect. Mr Gluz points out, for instance, that the Mikhoels Centre has received no official recognition from the Soviet Ministry of Culture, merely the ministry's "blessing".

This means, for example, that the centre has no official plaque with its name on the front door.

But it is hard to believe that the perestroika of Jewish life will not go on. Why, then, does my refusenik acquaintance want to leave now?

He asked me to hand over my notebook, reached for a pen and scribbled. He had written one word: Pamyat.

He did not dare pronounce the name of the anti-semitic group whose many supporters threaten Jews and distribute anti-Jewish literature. The group almost certainly vandalised the only synagogue in the Siberian city of Krasnoyarsk last month, and set fire to the only Jewish bakery in Siberia. They were also responsible for burning three trucks belonging to the kosher baker which catered for the opening ceremony at the Mikhoels centre.

During the March Soviet election campaign, Pamyat supporters gained great notoriety for breaking up an election meeting called by Mr Vitaly Korotych, the editor of the reform-minded magazine

The gloom is lifting for refuseniks, as it is becoming easier to get an exit visa.

Ogonyok. The old refusenik says that he knows Mr Korotych is not Jewish, but that he has often spoken up on behalf of Soviet Jewry. He picks up his copy of Ogonyok and gives a thumbs up.

Pamyat frightens people because it is backed by a number of hard-line communist officials.

Last year, the organisation held several large and provocative meetings in Leningrad, which the city's communist leadership made no attempt to halt. Indeed, the new Jewish newspaper reports in its first edition that "in almost every Leningrad constituency, members of Pamyat were selected to run as candidates for the new Soviet Congress of People's Deputies." Around seven per cent of the city supported them.

For refuseniks, the gloom provoked by Pamyat is brightened only by knowing that it is getting easier to get an exit visa for abroad. Last year, 20,082 exit permits were issued by the Soviet authorities, the highest number since 1980. And the figure is rising: already this year, 12,864 Jews have been allowed to leave. Every day, Muscovites walking in the Arbat area of the city can see around 400 people queuing for visas outside the new Israeli mission.

The presence of an Israeli delegation is another boon to Moscow's Jews. The two countries do not have full diplomatic relations, and the Israelis have to borrow rooms in the Dutch embassy and the Ukraine Hotel. But Israel's delegates hope that if full relations are restored, it will be accompanied by an even greater rise in emigration. One representative admits, however, that there is little that the delegation can do to help Soviet Jews against provocation from Pamyat or to increase the number of exit visas granted. These are internal Soviet affairs.

Leaving the Mikhoels centre, the refusenik has a cheerful look, brought on by brief contact with someone from the outside. But as he sees more of his friends getting permits to leave, his loneliness gets greater. He is waiting for a bureaucrat somewhere to draw a tick against his name.

EC energy plan faces pitfalls

By Will Dawkins in Brussels

EFFORTS to introduce freer competition to the European Community's energy industry yesterday ran into potentially serious national differences.

A meeting of the EC's 12 Energy Ministers confirmed that several countries will encounter problems with plans being considered by the European Commission to scrap a range of restrictive practices in the coal, electricity, oil and gas industries.

Several member states expressed caution over a draft directive, due to be tabled by the Commission in July, to force utilities to provide more information about gas and electricity prices. While they accepted that the measure would help consumers compare prices, they feared it might be too bureaucratic.

A clear division emerged over a Commission request for member states' views on whether EC gas and electricity distributors should open their grids to all suppliers. The UK and France were keen for a so-called "common carrier" system, a stance that reflects the openness of the British grid and France's eagerness to sell cheap nuclear electricity across Europe.

However, this ran into resistance from West Germany, keen to protect its coal mines, and Spain, which is still upgrading its own grid.

The result was a compromise which called for more interconnection between national grids but fell short of supporting common carrier rights, dismissed as "a predictable fudge" by one national official.

Meanwhile, an attempt by West Germany to pave the way for EC-wide adoption of its own tough rules on pollution from oil refineries met stiff resistance. The environmentally-minded Danish and Dutch supported the plan, but the UK and Ireland felt it would impose an unnecessary cost to their own refineries. Ministers agreed the Commission should investigate whether German environmental rules were putting its refiners at a competitive disadvantage and submit proposals "if necessary".

An existing Commission plan to extend free public procurement rules to the energy industry met resistance from the UK yesterday. This would create needless red tape for North Sea oil and gas producers, which would be covered by the directive as holders of government licences, said officials.

A separate discussion on whether to end a 1975 EC restriction on the use of gas in power stations produced further differences. Mr Peter Morrison, the British Energy Minister, argued that the rule should be scrapped because it only curbs the use of a relatively pollution-free fuel, while his French and German counterparts resisted such a move, sensitive to the competitive positions of their nuclear and coal industries.

● EC governments agreed yesterday to club together to encourage efficient electricity use.

The scheme is the latest environmental gesture from an EC that is becoming increasingly sensitive to green issues. Adopted by EC energy ministers, it will establish regular meetings among national officials from the 12 member states to co-ordinate ways of encouraging business and private consumers to save electricity.

W German coal industry hit by wildcat strikes

By David Goodhart in Bonn

WILDCAT strikes in the West German coal industry have greeted the West German Government's decision not to officially contest the European Commission's controversial plan substantially to reduce coal subsidies throughout the EC.

Bonn allowed the deadline of May 9 to pass without lodging a complaint, much to the displeasure of the coal companies and unions and the two major coal producing states - North Rhine Westphalia and the Saarland.

However the Government claims it will achieve more for the coal industry in private negotiations with the EC than through formal conflict. Officials are also hopeful that France - hitherto the strongest opponent of German coal subsidies - will tone down its opposition in the light of the benefit to its nuclear industry from the likely abandonment of the German nuclear reprocessing plant at Wackersdorf.

Earlier this year the EC produced a report recommending that energy subsidies should be cut back - and eventually eliminated - in order to realise a common market in energy.

West Germany is the biggest coal subsidiser in the EC spending about DM10bn a year to compensate the utilities and steel producers for the extra cost of buying German coal. The utilities claim back the difference between German coal and cheap imported oil through levying an extra 8.5 per cent on electricity bills - the so-called Kohlepfennig.

The current agreement between the Government and the utilities runs out in 1995, but the EC now wants the Kohlepfennig substantially reduced by 1993. Bonn is expected to come up with a plan to do so by the end of September.

Commission set to move against Bonn on water

By David Buchan in Brussels

WEST GERMANY is very shortly to join the UK and Italy in receiving a formal legal complaint from the European Commission for failing to bring its water purity standards up to long-agreed Community levels, officials in Brussels said yesterday.

The move against the Bonn government, which is expected to be followed by similar action against Belgium and Greece, is part of a widening Commission crackdown on many member states for failing to conform with a 1980 drinking water directive, even though they had a five year grace period, until 1985, in which to comply.

The impending complaint to Bonn is likely to wound the pride of West Germans who regard themselves as being among the most environment-conscious in the Community.

Meanwhile, the UK, where the prospect of EC legal action has already complicated privatisation of the water industry, is in store for more trouble, according to Mrs Anne Taylor, the Labour opposition spokeswoman for the environment. After talks yesterday with EC officials, she said the Commission was contemplating action to try to clean up drinking water in Yorkshire and bathing water along the Lancashire beaches of Formby and Southport.

Spain defends social initiatives

By David Buchan in Brussels

CRITICISM of Prime Minister Margaret Thatcher's new tougher line towards EC social policy initiatives came yesterday from the Spanish government, currently holder of the Community presidency.

Mr Pedro Solbes Mira, Spanish minister for EC affairs, yesterday singled out fiscal harmonisation and social policy as priority areas for the Spanish presidency. At the same time, he noted that EC governments had given formal approval to, or reached basic political agreement on, some 27 directives since Madrid took over the presidency on January 1.

UK opposition to the Lingua programme to promote foreign language learning in schools "greatly concerns us", because the proposed Ecus 250m (£162m), five-year programme was part of an effort to create "a Europe for citizens", Mr Solbes told the Centre for European Policy Studies. He also professed himself baffled at UK opposition to the European Commission's proposal for an EC identity card for pensioners, allowing them to benefit from cheap travel and entertainment in other member states. He said that this was only "a recommendation".

His criticism of the UK government was qualified, however, by noting that London had not obstructed progress on worker health and safety directives this year.

UK diplomats objected to the identity card plan because it did not take account of the Community's different retirement ages, while the Lingua programme for primary and secondary schools was unacceptable because it would extend Community competence into a new area.

OECD sees blocks to efficient new technology

By John Gapper

The failure of companies to break down work demarcations and achieve skill flexibility has limited productivity growth from new technology, according to an Organisation for Economic Co-operation and Development report.

The report which was published at a conference in Rome yesterday, argues that most OECD countries have suffered from a "productivity paradox" of lower growth rates despite new technology because of persistence of traditional work structures.

It says companies will have to move towards broader skill definitions, more re-training, and payment linked to individual competencies in order to reap the full productivity potential of information technology in particular.

They will have to shift away from a pyramid-shaped grade structure towards a flatter model in which more people are concentrated in middle skills grades These workers have to be given incentives to re-train and work flexibly.

The report commissioned by OECD Labour Ministers and prepared by a group of experts including senior managers and trade unionists, also argues that broader general education for young people and more adult courses are required.

It says young people need a higher minimum threshold of competency to compete in a labour market where new skills will constantly be required by technological change. The competencies should be a base for skill flexibility.

The report, called New Technologies in the 1990s, points to Japanese and Nordic models of workforce involvement linked to substantial training and re-training as ways of making the maximum gains in productivity from new technology.

It says that employers who have used new technology to de-skill jobs have mostly found it an inefficient method. Both companies and union have interest in enhancing skills as part of the process of technological change.

Mr Ulf Sundqvist, chief general manager of the Labour Savings Bank of Finland and chairman of the group that prepares the report, told the conference that an increasing part of a manager's job would be to help the creativity of workers.

Denmark plans tax reforms

A reduced corporate profits tax from 50 to 35 per cent will be a main feature of a tax reform plan to be presented by the government within the next few weeks, according to versions of the plan which have been leaked, Hilary Barnes reports from Copenhagen.

Prime Minister Poul Schlueter, head of the minority government, has labelled the plan "the reform of the century".

The government has run into a barrage of opposition from all the other parties in the Folketing for proposing to suspend the automatic inflation-linking of pensions and other transfer payments.

Abortion lobby celebrates in conservative Belgium

By Tim Dickson in Brussels

BELGIUM'S pro-abortion lobby was anticipating an "historic" victory yesterday and political commentators pondered the possibility of a new rift on the issue within the centre-left coalition Government.

The excitement was caused by a joint Senate Commission's surprisingly large vote (26 to 18) in favour of modifying the country's long-standing ban on abortion so that women "in a condition of distress" could interrupt their pregnancy up to the end of the first 12 weeks.

If, as many now hope, the draft proposal receives the assent of the full Senate and becomes law (perhaps by late summer), it would mark the end of a bitter and frustrating 20-year battle by campaigners to overturn the 1867 Napoleonic code on which the existing ban is based.

"There is still a long way to go and there could yet be amendments," warned the leader of one prominent women's group yesterday.

Passions aroused by the abortion issue are often on the same scale as those evoked by Catholic Belgium's smouldering language dispute, with divisions crossing both party and cultural lines.

Mr Wilfried Martens, the Belgian Prime Minister, has played down suggestions this week the issue could inflame tensions in the five-party coalition of Socialists, Social Christians and the Flemish nationalist Volkunie, which has managed to survive for 12 months without any big political crises. Some however, wonder whether the subject could provoke instability in the Government after the European elections in the middle of June.

While the politicians have been arguing over whether Belgium should join all other EC countries except Ireland, clinics and hospitals have been carrying out operations in open defiance of the law. An estimated 30,000 abortions take place each year in Belgium, with many more women going abroad.

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Washington puts regional pressure on Panama

By Andrew Marshall and Robert del Quiaro

THE PANAMANIAN decision to nullify Sunday's election result provides a temporary breathing space for the negotiating track which Washington has opened, involving Latin American governments in US policy to an extent rarely witnessed.

But the Latin American reaction to US involvement in Panama is, and will continue to be, deeply ambivalent. On the one hand, the semblance of "Yankee imperialism" will always evoke hostile reactions in the hearts and minds of those south of the Rio Grande. On the other, General Manuel Noriega of Panama has become an embarrassment. Removing him quickly, quietly, and without violence, is in the interests of all those Latin American countries which have painfully struggled with democracy for the last decade.

Whenever Uncle Sam is seen to be putting pressure on any Latin American regime or political faction to do Washington's will, the rest of Latin America feels a visceral revulsion and, arisen from that, a strong desire to have the big nothern neighbour desist forthwith.

Other governments in the region may have little liking for General Noriega, as a suspected drug trafficker and flagrant manipulator of democratic processes. But, when push comes to shove, he is perceived by his peers in the region as a Latin American with a strong line to follow over his country's main physical asset, the Panama Canal.

The general has a remarkable combination of charisma and cunning. He has presented himself, despite the taint of drug trafficking and internal repression, as a nationalist who can, and does, prevent his tiny and marginally viable country sinking into colonial staus vis-à-vis the US. Such a posture is similiar to that of every politician, the length of the ideological and opportunistic spectrum, throughout Latin America.

He who tweaks the disapproving nose of Uncle Sam is never without admirers in a region where the heady combination of envy and loathing for the rich, foreign neighbour and creditor is always ready to break surface and raise a cheer.

However, Gen Noriega is not the sort of leader who is acceptable for the long diplomatic and political haul to such civilian centrists as President Carlos Andrés Pérez of Venezuela or President Alan Garcia of Peru, who are committed, for sensitive historical reasons in their own countries, to continuity of elected administration in Latin America as a whole, as well as at home.

Deep worry from the south

In a statement last night from the Group of Eight – Mexico, Venezuela, Argentina, Peru, Uruguay, Colombia, and Brazil – which expressed their "deep worry" over the results.

As governments from Mexico City to Buenos Aires contemplate affairs in Panama at present, they fervently wish the whole mess would go away, without the US raising its pressure on Noriega any further. The general himself is embarrassing the other members of the regional family any more with ballot-rigging and bullying of the local opposition.

The Group of Eight said the crisis "could distance even further the Panamanian government and democratic community of Latin America, during a historic moment in which free and popular expression is advancing in a way never before seen in our region."

From that, it follows that such civilian presidents will be hoping, and quietly pressing, that a way be found for similar figures in Panama, unconnected to Gen Noriega, to come to power in Panama City, via a further round of elections in that country.

The Group of Eight Latin American states pressed for nullification of the elections on Wednesday night, and the announcement thus represents a small victory. It is a *de facto* recognition that the electoral fiction which Gen Noriega had sought to establish as fact, of free and fair elections confirming his legitimacy, cannot be preserved.

The Group will not now feel pressed to recognise a government of Mr Guillermo Endara, the opposition candidate, who won Sunday's election by a two- or three-to-one margin according to all indpendent assessments. At the same time, there is now no neccessity to recognise the government of Mr Carlos Duque, the Noriega-backed candidate who is the self-proclaimed victor of the elections. This opens the way for some compromise – involving new elections under multilateral supervision, or a coalition.

The involvement of Latin America in US policy that has been achieved in the last 48 hours is a remarkable achievement; it may even herald a productive solution to a problem that has long bedevilled the White House. But, if Washington were to lose its patience and embark on a policy of military intervention, there would be a mighty outburst of Latin American outrage on behalf of Gen Noriega, their fellow under the old threat. This will be a powerful argument for keeping the negotiating track open as long as possible.

US moves cautiously to undermine Noriega

By Lionel Barber in Washington

FOR ALL the uncertainty and high tension in Panama, the Bush administration appeared yesterday to be developing a coherent policy aimed at persuading General Manuel Noriega to step aside from power in the Central American country.

It is a cautious, step-by-step approach based on extensive consultation not only with congressional leaders but also with Latin American governments – a stark contrast with the unilateral, high-profile approach to foreign policy often favoured by the Reagan administration. "This time we want to avoid the impression of this being a conflict between Noriega and the gringos."

Unlike President Reagan, Mr Bush seems to have recognised that Latin America has almost as much at stake in the future of Panama as has the US itself – partly through the continued safe operation of the Panama Canal, still a significant channel for commerce in the hemisphere, but also because Latin American states, several of which have emerged recently from military dictatorship, are aware they have a stake in publicly upholding the principle of democracy.

The Latin Americans' Group of Eight statement on Panama may not go as far some US officials would have liked, but it is a welcome shift from last year's deafening silence when the Reagan administration tried belatedly to enlist Latin American support for the removal of Gen Noriega. Moreover, it follows individual criticism of the rigged elections by figures as diverse as President Alan Garcia of Peru, no friend of Washington given his views on debt strategy, and a behind-the-scenes role by President Carlos Andrés Pérez of Venezuela aimed at isolating the Noriega regime.

However, Mr Bush must weigh the power of diplomacy with the more acute domestic political concern of protecting American lives. There are more than 40,000 US citizens in Panama including 10,600 troops who form part of the US Southern Command, which is based by the canal. Many of these US dependents live outside the base camps and are potential hostages.

If, as seems likely, Mr Bush increases the number of US combatants on the spot, that would be to extend protection rather than mark the first step towards an invasion. Military force to remove Gen Noriega is still regarded as a last resort.

By consulting Congress early, Mr Bush is sticking to his familiar refrain of "bipartisanship" in foreign policy. But he must also be aware that, ever since Vietnam, Congress has been more wedded to quick military action, such as the Grenada invasion, rather than prolonged missions such as the (ultimately successful) one to the Middle Eastern Gulf, where American lives are at risk.

So far, Mr Bush seems to have struck a balance between consultation and action, building an international consensus on the rigging of the elections and winning domestic support for the principle of multilateral diplomacy.

These are only the opening moves, though, in a highly fluid atmosphere inside Panama. The threat to US lives, the uncertainty over the durability of the Panamanian opposition, and the unpredictability of Gen Noriega, mean that the most difficult decisions are yet to come.

Panama's politics grow up under fire

Tim Coone assesses a week in which an opposition was blooded

PANAMA has changed irreversibly. Smoke from burning tyres and rubbish mingles with the nauseous, acrid smell of teargas along the elegant Avenida España, the main road through the banking centre of Panama City. Protestors are prepared for the first time to brave the danger of beatings, birdshot and even bullets from the riot police, and to come back for more.

A watershed has been crossed by the political opposition to Gen Manuel Antonio Noriega, the country's strongman behind the civilian façade. The violence to which its leaders and supporters have been subjected in the past days by the so-called Dignity Battalions, the general's shock troops, has stripped opposition Panamanian politics of their naïveté.

The favourite joke of foreign journalists, that "Panama's opposition is prepared to fight to the last drop of American blood", is no longer valid. The ambulances wailing along Panama's streets on Wednesday carried both dead and wounded from the violence. The struggle to remove the general from power has begun in earnest.

According to one West European diplomat in Panama, "the Europeans agree that last Sunday's elections were a fraud. Their nullification is nothing more than an acceptance by the government that it lost. The next step must be the resignation of General Noriega."

Unlike last year, when Gen Noriega's problems with the US were largely seen as a bilateral issue, in the space of less than a week his regime has suddenly found itself totally isolated.

With the exception of lame statements of support from Cuba and Nicaragua, the world is turning its back on Gen Noriega. The lacklustre leaders of the opposition, branded as traitors and lackeys of US imperialism by Gen Noriega wrapping himself in the nationalist banner, have been converted overnight into martyrs by the violence he has unleashed against them. Even erstwhile government supporters have been horrified by Wednesday's brutal beatings of the ADOC opposition leaders, which a German friend called, "reminiscent of pre-war Nazi tactics".

For the first time, the racial and class barriers between the darker-skinned working class, and the lighter Panamanian middle and upper classes, in the past ably exploited by the general, are beginning to break down.

The people building the barricades along the Avenida España included doctors, teachers and office workers.

Gen Noriega has backed himself into a corner. The nullification of the elections on Wednesday night, a move of dubious constitutional legality given the government's efforts to engineer a fraud, has created a momentary breathing space for both sides to consider their next moves.

Indications that the nullification came as a result of pressure from the Group of Eight Latin American leaders suggests that Gen Noriega may be responding to diplomatic approaches and looking for a way out. The sending of US troop reinforcements to Panama is the stick being used to beat him in that direction.

Dr Ricardo Arias Calderón, the only one of the three main ADOC leaders in an adequate physical condition to speak to reporters on Wednesday night, was insistent that he wants to see a peaceful, negotiated solution to the crisis despite the government's unprecedented violence, which he described as "an act of extreme desperation".

The two "indispensable conditions" for a solution, he said, are "a recognition of the legitimate election results" which, according to independent observers, gave ADOC a landslide victory, and "a new understanding between civilians and the military to allow the military to function in a way that these events will never happen again". The *sine qua non* for that understanding has been previously spelt out: the resignation of Gen Noriega and a new constitutional subordination of the armed forces to civilian rule.

Mexican teachers finish strike by taking pay offer

By Richard Johns in Mexico City

MORE THAN half of Mexico's dissident teachers have decided to return to work, having accepted the Ministry of Education's final offer of a pay increase which gives them the equivalent of a 25 per cent salary increase, including improved benefits.

Classes throughout the country should resume as normal next Tuesday, but the settlement caused considerable cost to the Government, which is committed to budget austerity, and also its anti-inflationary policies.

The teachers' pay rise is the highest awarded this year for any group of workers except for those in the pharmaceutical industry who received one of 25 per cent plus 8 per cent in benefits.

Inflation in the first four months of this year has been 6.4 per cent, according to the Bank of Mexico's consumer price index. The Government's goal of restricting it to 18 per cent this year is threatened by other pay settlements in the view of independent economists.

Under the Pact for Economic Stability and Growth, which was concluded last December by government, labour leaders and business, the increase in the minimum wage was limited to 8 per cent.

Negotiations between the official leadership of the 1.2m-strong National Union of Education Workers (SNTE) under the new leadership of Ms Elba Esther Gordillo, and the rebel faction known as the National Co-ordinator of Education Workers (CNTE), ended on Wednesday.

The major acheivement of the CNTE – resulting from a dispute lasting almost a month – was the resignation of the dictatorial Mr Carlos Jonguitud Barrios, formerly "leader for life" and "spiritual guide" of the SNTE.

At the same time Mexico City's bus drivers have resumed work although it was not immediately clear on what terms. The return to the streets of thousands of exhaust-belching buses of Ruta-100 followed an agreement at the weekend.

It followed a decision by Mr Manuel Comacho Solis, Mayor of Mexico City, to transform the loss-making service, which is subsidised heavily by the Federal Government into a co-operative administered by the Government but majority-owned by the workers. They rejected a pay rise of 50 per cent.

Their resumption of work came after a federal judge issued on Tuesday a temporary injunction ruling against the Government's decision to terminate dealings with the drivers' union.

US retail sales show signs of slowdown

By Anthony Harris in Washington

FURTHER evidence of a US economic slowdown appeared yesterday with an official estimate that retail sales rose by only 0.4 per cent in value in April, which implies a sharp fall in real volume. Market estimates had suggested a rise at least three times as big. The dollar and shorter-dated bonds rose, despite uncertainty over producer price figures, to be published later today.

A particular surprise is that turnover in the depressed car market shows virtually no improvement, despite a sharp recovery in unit sales in the first three weeks of the month. This suggests that inventories have been cleared only with the help of abnormally large discounts.

At the same time the latest Blue Chip economic forecast, an average of 51 leading private sector economists, shows that two thirds of the panel now expect a recession within the next year, with 21 per cent looking for it to begin in 1989.

The three-month figures show no growth at all over the last half year, seasonally adjusted – a period in which goods price inflation has been running at about 4 per cent annually. This suggests that volume has fallen at least one per cent in the last quarter.

The only buoyant turnover reports came from the clothing and furniture sectors, both recovering from very depressed earlier sales, and from the food stores, where prices have been rising sharply.

Comparing the last three months with the same period in 1988, sales value has risen by 5 per cent, or 6.5 per cent excluding the car sector.

Wright protégé quits over assault scandal

By Anthony Harris in Washington

A SCANDAL which has further damaged Mr Jim Wright, the House of Representatives Speaker, was resolved yesterday with the resignation of his protégé Mr John Mack as executive director of the Democratic Party Steering and Policy Committee.

In 1973 Mr Mack pleaded guilty to a brutal assault on a young woman. He was given a 15-year sentence, but released after only 2½ years, largely because of the intercession of Representative Wright, whose daughter was married to Mr Mack's brother.

A recent interview with the victim aroused strong sympathy, and Mr Mack's continuance in office became a grave embarrassment for the embattled Speaker.

Strong support for Peruvian stoppage

By Veronica Baruffati in Lima

A THREE-DAY armed strike called by Sendero Luminoso, Peru's Maoist guerillas, in three central departments has had overwhelming support.

On Wednesday, the first day ofthe strike, the streets of the main towns in the departments of Huánuco, Junín and Pasco, were deserted, despite the presence and promises of protection by military patrols.

The guerillas have taken advantage of the vacuum in Peruvian government, caused by the Cabinet's resignation on Monday, to paralyse agricultural and mining activities in these three areas, and to instill enough fear in the population to keep them at home.

As Mr Guillermo Velarde, prefect of Huánuco department, said: "The strike has been supported by the population not because of personal conviction but because they feared bloody retaliation by subversive elements."

These central Andean departments are the agricultural and mining backbone of Peru. Whoever controls them is in a strong position to cut off supplies coming to the capital from the hinterland.

As part of its strike tactics, Sendero Luminoso terrorists blew up overhead electricity cables, plunging large parts of Lima and the country into darkness. Seven lorries bringing food supplies into Lima from the interior were intercepted and sent away. Buses were ambushed, passengers told to descend and then the buses were set alight.

A cargo train carrying food supplies was derailed. Bridges and banks were blown up. A policeman at his station and two air force officials travelling on a bus were shot dead.

Hundreds of police are patrolling the streets in an attempt to prevent any more terrorist activities.

OVERSEAS NEWS

Bangkok moves to boost competition among banks

By Roger Matthews in Bangkok

THAILAND'S Finance Ministry has announced a package of measures to boost savings and stimulate greater competition in the banking sector.

Mr Pramual Sabhavasu, the Finance Minister, simultaneously launched a scathing attack on the country's commercial banks, accusing them of making excessive profits to use for their own benefit.

The executives of the banks paid themselves very high salaries, according to the minister, while some also used the bank's resources for their own purposes. But they made no contribution to the public good and had not responded to government requests, he alleged.

Mr Pramual said he intended to end the present 5.5 per cent spread between the ceiling on deposit rates and the ceiling on banks' lending rates, which was far wider than in most countries. Banks would be allowed to compete freely for deposits. This should allow smaller banks with lower overheads to offer more attractive rates to depositors than some of the larger, less efficient institutions, he said.

"I do not think that the commercial banks have tightened their belts sufficiently," he added. "When the ceiling for deposit rates is floated, the public will stand to benefit because the banks will have to compete more intensely among themselves." However the minister rejected any increase in the 15 per cent ceiling on lending rates as demanded by some of the banks.

He also promised other measures to encourage savings. These included:

● Reducing the tax levels on reserves put aside by companies for future investment.
● Slashing personal taxes on interest earned from deposits ranging from $400 to $4,000.
● Introducing new tax incentives on life insurance policies.
● Introducing a mandatory social welfare savings scheme.

There has been considerable speculation in Bangkok that the government has been studying the operation of Singapore's Central Provident Fund, to which companies and employees make fixed contributions, but which can only be drawn down for specific purposes, such as housing and retirement benefits.

Thailand's accelerating economic growth over the past decade, with a record 11 per cent achieved last year, has created a widening gap between investment and savings.

Officials estimated at the start of this year that in the period to the end of 1991 there would be an annual shortfall of nearly $5bn, equivalent to about 7 per cent of gross national product, unless steps were taken.

Mr Pramual is also an enthusiastic proponent of privatisation, and is locked into a political battle in the cabinet over the proposed listing of Thai Airways International. If the decision goes against Mr Pramual privatisation would probably be dropped from the government's programme, and he would be seriously weakened in his attempt to introduce greater competitiveness into the banking sector.

But perhaps the most serious threat the minister could offer to the established banks is to grant licences to more of the foreign institutions which have been knocking at Bangkok's door for several years.

Singapore readmits Thai workers

By Roger Matthews in Bangkok

THE FIRST 250 of nearly 10,000 Thai workers expelled from Singapore as illegal immigrants will return legally to their former jobs next week.

The mass expulsion six weeks ago, under threat of caning and jail sentences, caused government anger in Bangkok and has led to serious labour shortages on several big Singaporean construction projects, including the new terminal building at Changi airport.

The Thai Interior Ministry said Singapore had asked for 15,000 Thai workers but arrangements would be made only for the 9,740 who had been expelled. They would go back on strictly agreed contracts specifying salary and overtime payments, with the Singaporean employers taking responsibility for their food, accommodation and transportation costs.

Singapore employers would also have to post a $1,000 bond per worker with the Labour Department in Bangkok as a guarantee.

The introduction of these conditions underlines the bitterness felt by some Thais at Singapore's action. Thai officials argue that the illegal presence of so many foreign workers in Singapore could not have occurred without the connivance of some Singaporeans. And, as fellow members of the Association of South East Asian Nations, it should have been possible to resolve the issue without Thailand having to send ships and trains to bring its nationals home, especially as now the workers were going back.

Some Thai publications have been more aggressive in their response, suggesting that it will take some time before relations between the two countries return to normal and pointing to the potential for other, mainly economic, conflicts. The Thai government has been specifically urged to block any attempt by Singapore to gain influence in Indochina by using Thailand as a springboard.

Singapore's recent announcement that it was sharply tightening the conditions under which its nationals could visit Vietnam was seen in Bangkok as implied criticism of the unilateral Thai initiatives to bring about a Cambodian settlement.

Singapore meanwhile has sought to play down the impact that its policy towards illegal foreign workers has had on neighbouring countries. This week 500 Indians sought refuge in their embassy grounds in Singapore as diplomats sought to have them repatriated without suffering the legal penalties.

Top Nakasone aide questioned over Recruit

By Stefan Wagstyl in Tokyo

PUBLIC prosecutors investigating the Recruit financial scandal in Japan have moved closer to the heart of political power by questioning Mr Takao Fujinami, a former chief cabinet secretary, about his role in the affair.

Mr Fujinami is the most senior politician to be questioned so far in the scandal which concerns the distribution of financial favours to influential people by Recruit, a fast-growing publishing group.

The questioning of Mr Fujinami will increase the political pressure on Mr Yasuhiro Nakasone, the former prime minister, who regards Mr Fujinami as his top lieutenant.

It will also dash the hopes of those few members of the ruling Liberal Democratic Party, who might have believed the prosecutor would stop short of investigating senior politicians, if only for lack of evidence. Only one other politician has so far been questioned, an opposition party member. The 18 people who have been arrested are all civil servants and businessmen, including Mr Hiromasa Ezoe, Recruit's founder.

The allegation against Mr Fujinami is that, during Mr Nakasone's administration, he used his influence to help further Recruit's business interests. The Tokyo Public Prosecutor's Office has studied evidence that he allegedly spoke against suggestions that employers should abandon a gentlemen's agreement by which they co-ordinated their approach to potential recruits. The impact of Recruit's recruitment magazines depended on this agreement.

In return, Mr Fujinami's secretary, Mr Eiji Tokuda, received 12,000 cut-price shares in Recruit Cosmos, a property subsidiary of Recruit, which were later sold for a profit of about Y26m (£115,000). A particularly damning allegation is that Mr Fujinami used the money not for political purposes, but to help pay for a Y100m house he bought in Tokyo.

Mr Fujinami separately received Y41m in cash from Recruit between 1986 and 1988, Y18m of it in June last year – after the scandal broke.

Meanwhile, the LDP's leaders yesterday continued their efforts to persuade Mr Masayoshi Ito, a 75-year-old elder statesman, to succeed Mr Noboru Takeshita as prime minister. Mr Takeshita, who said nearly three weeks ago he would resign because of his own involvement in the scandal, is having trouble persuading Mr Ito to take the job.

Fujinami pictured yesterday

Ito stands firm in quest for Tokyo reform

Stefan Wagstyl on Takeshita's problems in finding a successor as Prime Minister

MR Noboru Takeshita, the Japanese Prime Minister, who late last month announced his intention to resign, is finding it more difficult than he expected to appoint a successor.

His legendary skills in manipulating the vested interests which compose the ruling Liberal Democratic Party are being tested to the limit by Mr Masayoshi Ito, the stubborn old man who has been singled out for the prime ministership.

Mr Ito will not be bullied. "I know that senior party officials have called me obstinate," he told reporters this week. "That makes it more difficult for me to accept."

Mr Ito, a 75-year-old elder statesman, has been chosen by Mr Takeshita and other party leaders because of his clean political reputation. They believe that only he can restore public confidence in the party in the wake of the Recruit financial scandal, which has tarnished the names of a whole generation of LDP leaders, including Mr Takeshita, Mr Shintaro Abe, the party's secretary general, and Mr Yasuhiro Nakasone, the former prime minister.

The delay in appointing a successor is becoming embarrassing for the LDP – which hoped the prime minister's resignation might clear the political air – and for Japan as a whole. But the tortuous negotiations are vital to the future of Japanese politics, especially for political reform. Mr Ito's reluctance to take office is his best bargaining counter: he will never be as well-placed again to demand concessions from Mr Takeshita.

The nub of the argument is that Mr Ito refuses to be a puppet prime minister. Even though he is ill, he intends to do the job properly. As a former prime minister (he briefly took office in 1980 when the incumbent died) and current chairman of the party's executive committee, Mr Ito understands the party's inner workings. But he is one of few senior ruling party politicians who is serious about political reform. He believes the LDP must change radically if it is to avoid future financial scandals. He will not have his cabinet decided for him by others.

Such idealism makes other party leaders feel decidedly uncomfortable. They believe they are making a great concession to public opinion in considering Mr Ito at all. For all his experience in high office, Mr Ito carries little real political clout in the party. The prime ministership is traditionally reserved for leaders of the factions which make up the party, such as Mr Takeshita, Mr Nakasone, and Mr Abe.

Mr Ito is only a senior lieutenant in the faction led by Mr Kiichi Miyazawa, the former finance minister who himself resigned over his involvement in the Recruit scandal. By contrast, Mr Takeshita, far from being banished into the wilder[illegible]

[illegible] the existing system, especially the channels which carry money from business into politics. "The last thing anybody wants is an Ito revolution," says Mr Dan Harada, a political analyst.

Nevertheless, party leaders are trying to show their commitment to reform this week by publishing a programme of specific measures to be enacted by the end of the year. They include requirements for politicians to disclose property and stock transactions and reveal more details about the sources of political donations. This might just be enough to satisfy Mr Ito.

However, the courting of Mr Ito is further complicated by political differences among the senior politicians who are wooing him. Mr Ito is particularly incensed about reports that the senior faction leaders are already squabbling over who will be the first post-Ito prime minister. The favourite is Mr Abe, who has also been hurt by the Recruit affair, though not as badly as Mr Takeshita.

Mr Abe is therefore keen that an Ito administration should be as short as possible. But Mr Ito is apparently holding out for at least a year in office, rather than six months as originally suggested to him.

Party leaders will almost certainly be forced to concede on this point. But Mr Ito is also holding out for something else which the leadership may find harder to deliver. This is a pledge from Mr Nakasone to come before the Diet and explain his role in the Recruit affair.

Mr Nakasone was a chief beneficiary of the financial support which Recruit, a business information group, distributed to politicians and other influential people. Until this week, Mr Nakasone consistently refused to explain himself – to the intense annoyance of Mr Takeshita, who believes that since he himself has resigned over the scandal the least Mr Nakasone can do is to come clean.

Under intense pressure, Mr Nakasone has this week agreed to speak – but not necessarily under oath and not until after the public prosecutor investigating the affair has completed an interim report.

Mr Ito has gained support for his principled stand among the younger members of the party and among the general public. But the course of the talks over his appointment show that further shocks may be needed to force the senior party figures to accept the reforms he has in mind.

After all, every Japanese politician knows that Mr Kakuei Tanaka, the last prime minister to resign over a financial scandal, increased his power in the party after he quit. That was despite the appointment of a "Mr Clean" prime minister to succeed him. Mr Ito will have his work cut out trying to prevent Mr Takeshita from doing the same.

Ito (second from left) a lieutenant in the faction of Miyazawa (left), is likely to succeed Takeshita (right) as Premier. Abe (second from right) heads the third biggest LDP faction.

LDP FACTIONS

Faction	Lower House	Upper House
Takeshita	71	49
Nakasone	64	24
Abe	58	29
Miyazawa	60	27
Komoto	23	7
Tanaka	11	3
Old Tanaka	2	3
Independent	9	5

Source: LDP

Peking students' Gorbachev plea

PEKING student activists said yesterday they planned to ask Mr Mikhail Gorbachev to discuss freedom and democracy with them during his visit to China next week, Reuter reports from Peking.

Members of Peking University's protest-organising committee intend to take an open letter to the Soviet embassy in Peking inviting Mr Gorbachev to deliver a speech at their campus, students said.

Troops to go home

Soviet troops stationed in Mongolia's Gobi desert will soon leave for home after guarding against the threat of Chinese invasion for more than 20 years, Reuter reports from Ulan Bator. The troops are to leave the remote desert outpost of Shivee Gol, near the Chinese border, before September.

Offshore application

Mauritius has received its first offshore banking licence application, five months after opening up for business as a tax haven, banking regulators said, Reuter reports from Port Louis. Barclays Bank of London has applied to open an offshore facility on the island.

Algerian rioting

Police guarded public buildings in the east Algerian town of Souk Ahras yesterday after rioting causing damage estimated at tens of millions of pounds, APS news agency said, Reuter reports from Algiers.

Arab League visit revives Beirut truce

By Lara Marlowe in East Beirut

BEIRUT hostilities were supposed to cease when a four-man Arab League delegation arrived late on Wednesday, but the Arab diplomats and generals who had travelled from Tunis to keep the peace were subjected to the same intense shelling that residents of Beirut had endured for the preceding five days.

Yet when the discussions were concluded at 2pm yesterday, the much-violated two-week-old ceasefire was revived. By evening, this latest truce – the seventh since the artillery battles started two months ago – seemed to be holding, except for a few stray artillery rounds in the hills near Souq el-Gharb.

The delegation consists of Mr Lakhdar Ibrahimi, the assistant secretary general of the Arab League, Mr Ahmed Abdul Aziz al-Jassem, the Kuwaiti ambassador in Damascus, General Ali al-Momen of Kuwait – who is to head the Arab League ceasefire observer force in Lebanon – and General Moustapha Dargouth from Tunisia, who will also participate in the observer corps.

Shells from Christian areas exploded outside the apartment building where they met Dr Selim al-Hoss, the Moslem Prime Minister, and their subsequent meeting with the Christian General Michel Aoun had to be postponed because his headquarters in the presidential palace was under attack from Syrian artillery.

The announcement of a new ceasefire after such an unpropitious morning surprised everyone in the exhausted city, and residents of Beirut were hoping to gain at least a few days of peace from the Arab League's latest efforts.

Lebanese who were initially encouraged by the imminent arrival of the observer force have grown frustrated with the league's refusal to send troops while shelling continues.

The Arab League has not said how its 312-man observer force will be able to monitor up to 60,000 Lebanese and Syrian soldiers and militiamen, nor has it decided where they will be deployed. Gen Aoun has insisted that they be present in Syrian artillery positions, while the pro-Syrian camp is now demanding that observers be stationed along the coast of the Christian enclave.

In West Beirut, Dr Hoss, a reticent ally of Syria, earlier made a brief declaration in which he said that the support of the Soviet Union for the Arab League's initiative was essential to its success. Dr Hoss's statement strengthened a growing conviction here that only Moscow can restrain Syrian troops, who disregarded the Arab League ceasefire all of this week. As living conditions continue to deteriorate in East Beirut, support for Gen Aoun appears to be waning.

Israeli banks in interest rate row

By Hugh Carnegy in Jerusalem

A BITTER row over high interest rates has blown up in Israel between the commercial banks and Mr Michael Bruno, governor of the Bank of Israel, the central bank.

After simmering for months, the issue boiled over this week when Mr Bruno launched an outspoken attack on the banks at the normally staid annual general meeting of the Association of Banks.

He startled the assembled executives by threatening to invoke the Bank of Israel's authority to impose interest rates if the banks did not lower their controversially high rates on short-term unlinked shekel loans by June 1.

Rates on such facilities, which account for about 20 per cent of commercial and private local loan activity, stand at an average of 36 per cent, a real interest rate of about 20 per cent.

They shot up at the end of last year in a wave of foreign currency buying before a devaluation of the shekel. They have since fallen, but not fast enough for the Bank of Israel, among whose concerns is the slow rate of investment in the sluggish Israeli economy. It wants the rates down to 30 per cent this month.

Today Mr Bruno is to meet the bank heads to start discussions on resolving the matter.

The bankers will argue that interest rates should fall steadily, not in abrupt jumps.

S Korea student death torture fears

By Maggie Ford in Seoul

A SOUTH Korean university student has been found dead in the provincial city of Kwangju amid fears that he may have been tortured by security police.

The student had been hunted by police for allegedly violating the national security law. His badly decomposed body was found in a pond about five days after his death.

Police have cracked down on students and dissidents since six riot police were burnt to death during a student demonstration a week ago.

President Roh Tae Woo yesterday ordered an immediate investigation into the student's death, warning that there must be no suspicion of a cover-up by the authorities.

● Staff in the union of Barclays Bank yesterday placed an advertisement in a Seoul newspaper urging the bank's manager, Mr Alan Timblick, to return to the office to continue pay negotiations.

Expatriate managers at the bank were refused permission by union members to leave the office last week with cases of documents in order to continue business elsewhere. Police were called and the managers set up a temporary office in a hotel, where they were later found by protesting union members.

A meeting between the union and Korean bank officers is scheduled to be held today.

South African cabinet minister to stand down

By Anthony Robinson in Johannesburg

MR Chris Heunis, the Cape leader of the National Party and Minister for Constitutional Development, who was defeated by Mr F W de Klerk in the party leadership contest in February, yesterday announced his decision to resign the ministerial post on July 1 and not to stand for re-election at the September 6 elections.

His decision follows a similar announcement this week by Mr Stoffel Botha, the Home Affairs Minister and the announced retirement intentions of two other ministers, Mr Danie Steyn, (Economic Affairs) and Mr Greyling Wentzel (Agriculture).

Given the resignation of Mr Pietie du Plessis, Minister of Manpower, earlier this year after allegations of corruption, the latest development provides Mr de Klerk with a free hand to pick a new cabinet.

It leaves him free to promote younger men loyal to him if, as expected, the National Party wins the election with a comfortable majority and he is subsequently elected state president in succession to the retiring President P W Botha.

Mr Heunis, who was chosen by Mr Botha to succeed him as Cape party leader, seemed the heir apparent until he was nearly defeated by Mr Denis Worrall, the former ambassador to London, in the May 1987 elections. Since then his stock has continued to fall as the bureaucratic empire he built up to provide a constitutional framework for reforms aimed at bringing blacks into government, without whites losing control, failed to deliver.

On Wednesday the Rev Alan Hendrickse, leader of the ruling Labour Party in the coloured House of Representatives, delivered a humiliating blow to the minister when his party refused to approve the constitutional affairs budget on grounds that there had been no constitutional development.

Mr de Klerk is due to make a major policy statement in parliament today, spelling out the main themes of the party's electoral manifesto and setting it along a more determinedly reformist path.

Sri Lanka's future balanced between hope and fear

The government may never regain full control of the embattled country, writes **David Housego**

SRI Lanka these days feels like a country hanging precariously between faint glimmerings of hope about its future and deep forebodings of a further slide towards anarchy and revolution.

The hope springs from some of the changes since President Ranasinghe Premadasa came to power at the beginning of the year. Preliminary peace talks began last week between the Tamil Tigers, the main guerrilla force in the north, and the new government, thus holding out the prospect that negotiations could bring a settlement to the Tamil conflict, which 60,000 Indian troops and two years of fighting have notably failed to achieve.

Students returned to the universities on Wednesday after almost two years in which the main campuses have been closed. Colombo's main streets again hum with traffic, in contrast to the strikes and shutdowns that left them deserted at the end of last year.

Tourists have begun to creep back to the resorts on the southern coast. There is even talk – though it may be too optimistic – that some members of the extremist Sinhalese JVP movement which has been behind the violence in the south might also want to come to the negotiating table.

The forebodings come from the fear that the government is clutching at straws and that the divisions that haunt the island remain as intractable as ever. Take the talks with the Tamil Tigers. The Tigers clearly stand to make gains from these – some legitimacy, a respite from the fighting and the prospect that the government will fully endorse their own demand for an Indian withdrawal.

But their minimum demands for a settlement, most observers believe, would involve a substantial devolution for a merged north and eastern province, the dissolution of the existing Indian-supported provincial councils, and ownership of land reserved for Tamil residents. Most Sinhalese feel such a settlement would be the first step to granting the Tamils a separate state. Ceding this would swell the support for the JVP.

Sri Lankan ministers and Tamil guerrillas yesterday began their first formal talks aimed at ending violence which has killed 10,000 people in six years, officials said. The ministers and the Liberation Tigers of Tamil Eelam declined to give details of the talks but officials said a statement would be issued later.

Likewise, though the universities are back, this has been at the price of concessions that are likely to whet the students' appetite for more, and transform the campuses into springboards for JVP agitation. Colombo is peaceful. But great tracts of the north, east and southern provinces are no-go areas for security forces in the day time. Over 2000 people were killed by "death squads" in the last four months.

In its public statements, the JVP has not shifted from its revolutionary goal of forcing the president's resignation. Members have perfected the technique of using land mines to destroy moving police vehicles. They are counting on hostility to Indian troops, on opposition to concessions to the Tamils and on economic discontent to swell their numbers.

In such circumstances, Mr Premadasa has taken on almost single-handed the task of finding a way out of the tunnel. Some call his approach foolhardy self-confidence. Others say he is "navigating in the dark". Others believe that his modest origins give him the right caste credentials to talk to the lower-class revolutionaries who face him.

Under his authoritarian rule, debate has vanished from cabinet meetings. The press complains of a lack of news. He is sensitive to his image, as the scandals about his wife have shown. He has shown himself vulnerable to bad advice, as in the initial management of the economy.

Mr Premadasa's hope is that one of his plans will bear fruit, providing him with one success on which he can hope to build others. He is also counting on his Jana Savya (Self Reliance) welfare programme to win him support among the poor and unemployed who have so far been the main recruiting ground for the JVP, though he may have raised expectations too high.

The president has a weaker position in Parliament than his predecessor and lacks the two-thirds majority needed to change the constitution. Many in his party believe he will fail, and there is already speculation on who might replace him.

He is nevertheless a fighter with no hesitation about using ruthless means to achieve his ends. Some Sri Lankans, however, begin to think the government in Colombo will never regain full control over the island and that this is a situation the Sinhalese will have to learn to live with.

Kashmir terrorism flares again after Moslem fast

By David Housego in New Delhi

TERRORIST violence has returned to Kashmir after a lull during the month-long Moslem fast of Ramadan.

Shops and offices were closed and streets deserted in the centre of Srinagar, the capital, as part of a strike called by militant Kashmiri Moslem groups seeking more autonomy for the province. Two people were killed on Wednesday night and four injured when terrorists threw a bomb from a motor-bike into a liquor shop. The attack was evidently intended to deter Kashmiri Moslems from breaking the Islamic prohibition on drinking alcohol.

Wednesday night's explosion brought the number of blasts in Srinagar and nearby Anantnag up to 13 since the weekend. The extremist organisations had threatened to resume their campaign once Ramadan was over.

The Indian authorities describe the movements as "secessionist" and backed by Pakistan, which they accuse of training and arming the terrorists. They increasingly draw parallels with the Punjab and the conflict with Sikh extremists.

Extremist organisations began to spring up in 1987, after state elections in the province which the Moslem opposition parties denounced as rigged. Anti-Indian and pro-Pakistan sentiment has grown on the back of rising unemployment and what Kashmiri Moslems feel is India's denial of their regional and religious identity.

In response to the growing violence, New Delhi has sent more paramilitary forces to the province and intensified patrolling of the border.

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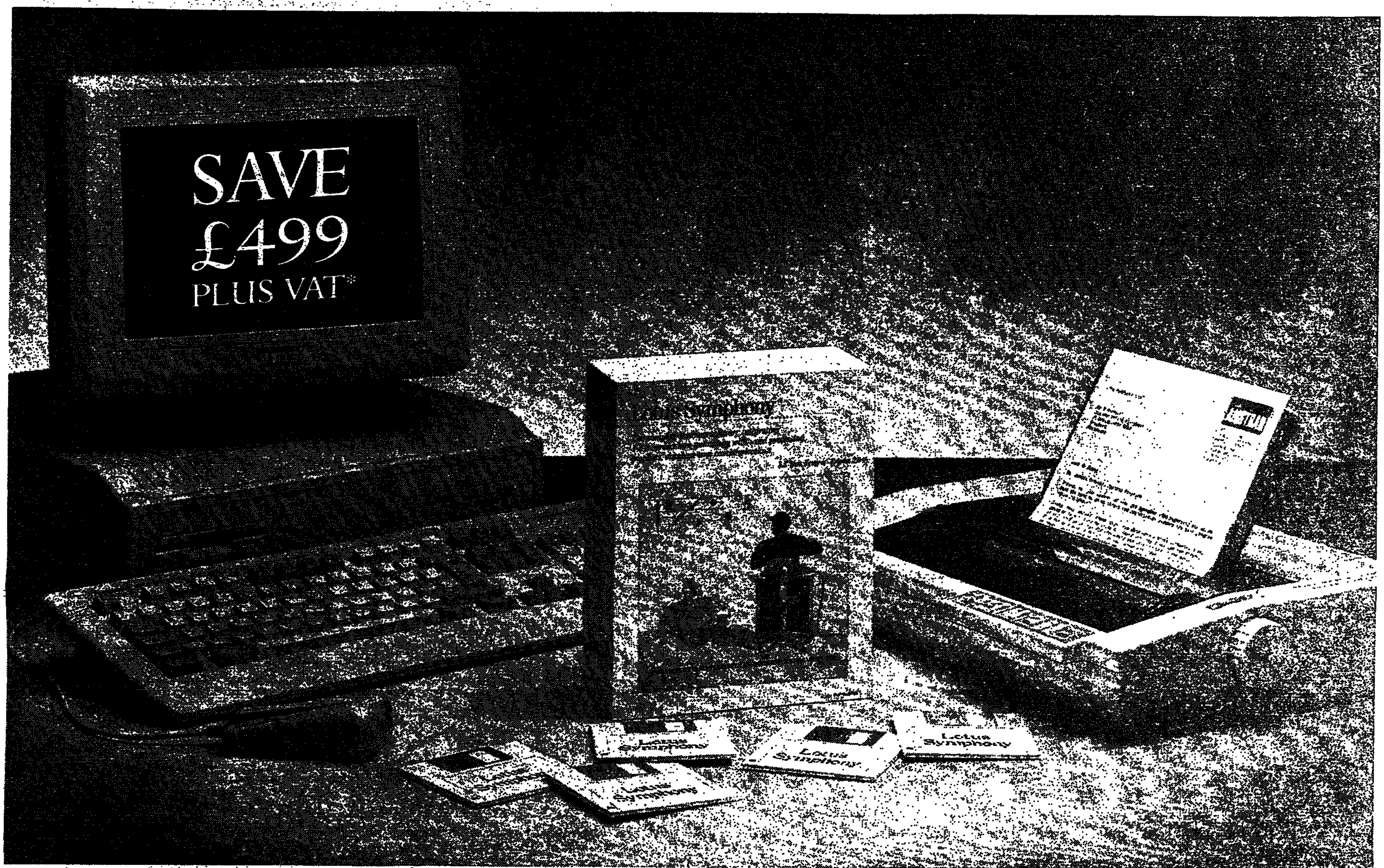

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WORLD TRADE NEWS

UK group and China in $5.4bn trade deal

By Colina MacDougall in Peking

A GROUP of British companies trading with China announced yesterday it had agreed six trading programmes worth in total $5.4bn with the Chinese authorities.

The long-established group, called the 48 Group, plans to implement these programmes in coastal and Yangtze provinces.

The programmes are to be spread over six years, starting next year and encompassing China's eighth five year plan (1991-95). If successful, $900,000 a year would be added to Sino-British trade, now worth about £1bn a year.

The division of the trade among Chinese provinces has been exhaustively discussed with Chinese officials. Some $1.3bn of trade will be with Shanghai, $1bn with Liaoning and Jiangsu provinces, $800,000 with Tianjin, $700,000 with Sichuan province and $600,000 with Wuhan. Items agreed with the local authorities include technical modernisation, technical transfer, joint venture projects and co-operative projects.

Mr Jack Perry, a prominent member of the 48 Group as chairman of the London Export Corporation, conceded that the scheme might appear ambitious, but he insisted that the figures were "serious, realistic and could be accomplished".

The 48 Group plans to open offices in the provinces in addition to its ones in Peking and Shanghai.

Norway makes gas carrier order

Bergesen, Norway's leading bulk shipowner, has ordered two 78,000 cubic metre LPG gas carriers valued at NKr900m (£78m) from Japan's NKK Corporation, Karen Fossli reports from Oslo. The gas carriers will be delivered in 1991 and will be registered in the Norwegian International Shipping Register. In the last year Bergesen has invested some NKr3bn in new ships. It currently owns and operates the largest LPG fleet in the world.

Vacancies hit trade decision-making

By Nancy Dunne in Washington

IN JUST THREE weeks the Bush Administration is required by law to make public a "hit list" of "Super 301" countries whose significant export barriers could become targets for US retaliation.

However, this vital decision-making is proceeding with key vacancies in both the US Commerce Department and the US Trade Representative's Office because the Administration is moving only sluggishly to place its top-level political appointees in office.

Although Mrs Carla Hills, the US Trade Representative, has many important staff who have carried over from previous administrations, her three appointed deputies – Mr Julius Katz, Mr Linn Williams and Mr Rufus Yerxa – are still awaiting Senate confirmation.

Mr Dennis Kloske, a Pentagon official who is to take charge of the export control regime at the Commerce Department, has not even been officially appointed.

The White House attributes the delay in its nominations to the extensive thought and background checks involved in the choices. However, the lethargic pace is reportedly holding up formulation of trade policy.

A longtime Commerce Department official said career employees are "just treading water."

The political appointees have not yet arrived or are working at their jobs with an "acting" before their title. There are no bosses to report to or to take final decisions.

According to one report, the "trade policy review group," which makes recommendations to the higher level Economic Policy Council, has so many vacancies it has been unable to work effectively, which accounts for the delay in the formulation of a steel policy.

Honda loses Argentina factory battle

By Gary Mead in Buenos Aires

HONDA of Japan has lost a five-year bureaucratic battle to build a motorcycle factory in Argentina's second largest city, Cordoba.

The collapse of Honda's hopes come at a particularly delicate moment for Mr Eduardo Angeloz, Cordoba's governor, who hopes to be elected as the country's president for the governing Radical party on Sunday. Mr Angeloz had publicly backed Honda's proposal, regarding it as an important step in the attraction of foreign investment to Argentina and in particular to his province.

Mr Murat Eurnekian, recently appointed to the central government post of Secretary of Industry and Foreign Trade, has resolved that Zanella, an Argentine company based in Cordoba, will be awarded the right to produce motorcycles.

Honda's original plan was to establish a plant eventually producing 33,000 machines of 125cc and above, after six years. Honda already operates a factory in Sao Paulo in Brazil, and its idea was to harmonise production between the two plants. The Argentine plant would have meant an initial investment of about $20m.

Honda's plans met with considerable resistance from local Argentine parts manufacturers, whose lobby would appear to have now finally won the day. Zanella proposes an investment of 26m australs (about $260,000 at current rates of exchange).

The collapse of the Honda proposal has political overtones, particularly as central government has decided to reject it so close to Sunday's presidential election. Some sources regard the Radical government's decision not to hand the contract to Honda as little less than a direct snub to its own presidential candidate, Mr Angeloz.

Bolivia seeks formula on gas sale arrears

By Robert Graham in Buenos Aires

ARGENTINE and Bolivian officials are due to begin talks next week to find a formula for Bolivia to recover some $200m arrears on gas sales. Bolivian gas sales to Argentina account for more than 40 per cent of its $450m exports.

Despite this dependence and Bolivia's acute shortage of foreign exchange, Argentina has fallen behind in payments both for current gas deliveries and on debts due since 1986. Argentina is understood to owe Bolivia $98m for the first of this year, plus a further $120m due from 1986 and 1987.

The Argentine government has excused the debts on the basis of its economic difficulties. However, the Bolivians have been arguing that their own financial position is even more precarious. The total Argentine debt represents a third of all external financial requirements for capital spending this year.

Recognising Argentina's difficulties, the Bolivians recently approached Spain for a $120m bridging loan until Buenos Aires was in a position to repay.

However, when these approaches failed, Bolivia's President Victor Paz Estenssoro sent a personal note to President Raul Alfonsin of Argentina insisting that the matter be settled urgently.

This note was delivered to President Alfonsin on May 5 by Mr Fernando Romero, the Bolivian Planning Minister, and it was agreed that talks should resume following the weekend elections in Argentina.

Bolivia has so far only been able to sell its gas to Argentina. An outline agreement was signed last year with Brazil. However, the Brazilian state oil concern, Petrobras, has had reservations about the sale.

Smuggling case makes ripples in muddy legal waters

John Murray Brown looks at controversy and political struggle over the role of Indonesia's judiciary

A COURT CASE, involving the smuggling of 9 VCR video recorders is the unlikely cause of an embarrassing political struggle over the role of the legal profession in Indonesia.

A recent court decision in which a six month suspended sentence was imposed on a Chinese-Indonesian businessman has divided the country's main law bodies, and been criticised as too lenient by both President Suharto and his Attorney General, Mr Sukarton Marmosudjono.

At a time when governments in Malaysia and Singapore are increasingly challenging the judiciary's independence the profession in Indonesia decided to hit back at what is seen as official interference.

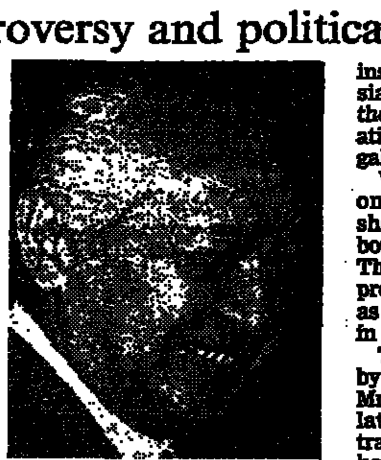
The country's legal bar association turned on its critics suggesting if the Attorney General thinks the setence too lenient, he can appeal to the High Court.

The Government's attitude towards the independence of its judiciary has always been a little vague. In 1987, for example, after sustained US criticism the Indonesian Supreme Court staged a dramatic volte-face in a case of alleged breach of trademark reversing its earlier decision in favour of the American shoe makers Nike.

In the most recent smuggling case, Amdiral Sudomo, the minister overseeing interior security matters, said the sentence would be respected. However he added judges should adapt their verdict to the spirit of development.

In Indonesia smuggling has always been a major problem. Forty years ago when the country was fighting for Independence from the Dutch smuggling provided a vital supply line.

Even under the Republic some military officers have engaged in smuggling to flesh out their rather meagre paychecks. Since President Suharto came to power in the mid 1960s smuggling has remained an issue, and a considerable drain on government tax revenues.



Since President Suharto came to power in the mid 1960s, smuggling has remained a major issue, and a drain on government tax revenues

In 1985 in a bid to stem what was the widespread smuggling through the ports the government contracted Société Générale de Surveillance (SGS), a private Swiss company specialising in international customs inspection, to run the Indonesian customs. More recently the authorities launched Operation Sringunting to stop illegal trade with Singapore.

Whisky for example ends up on Jakarta supermarket shelves with a label reading bottled duty free in Singapore. The Attorney General even proposed smuggling be treated as subversion, a capital offence in Indonesia.

The decision handed down by the Jakarta district court on Mr Tan Tek Siong is but the latest in a series of similar trails. President Suharto, when he heard the verdict, reportedly exclaimed "How could this have happened?".

In some respects many Indonesians may well share the governments's misgivings about a legal system inherited from the Dutch now badly in need of revision. University lecturers have been heard to complain that law students do not understand some of the basic principles underlying the country's law.

Corruption is also a problem. Justice Minister General Ismaiel Saleh has said that perhaps as many as 30 of his judges were corrupt and abused their official privilege.

On a lighter note, a Jakarta housewife, the plaintiff in a recent smuggling case, achieved some sort of notoriety when she took off her stilettos and launched them at the bench. She alleged the judge had taken a bribe to pass a heavy sentence on the defendant, and then reneged on the agreement.

The growing calls for a cleaner legal system, which President Suharto himself urged in a speech before Parliament, are seen as part of a growing popular campaign for a range of equity issues, like land rights, industrial pollution and corruption.

Home Affairs Minister General Rudini has gone out on a limb to criticise the "get rich quick" attitude of many wealthy Indonesians, at a time when income disparities are growing. The main thrust of the attack has not come from the cabinet or even the somewhat resuscitated legislature, but from so-called non-government bodies like the Legal Aid Institute, and Walhi, the environmental watchdog.

"In Indonesia if you want to get heard it's no good sitting in Parliament. You have to have a direct line to the President", said a Jakarta columnist. The son of one of the Republic's most famous freedom fighters is currently on hunger strike to focus public attention on land right issues.

Walhi, going one step better, is suing the goverment or more accurately the Ministers of the Environment, Forestry and the Head of the Investment Board under a 1986 Environmental Impact Law over a private timber and rayon project in Sumatra which locals say has caused deforestation and water pollution. Twice the case has been adjourned – apparently because the government has still to select its defence cousel.

Lufthansa signs joint venture deal with China

By Lyndon McLain

LUFTHANSA German Airlines and Air China have signed a joint venture agreement for the training of personnel for the maintenance of China's civil aircraft.

Lufthansa will provide DM400m (£127m), which represents 40 per cent of the capital required for expansion and modernisation of the Chinese national airline's technical base at Peking. China will provide the remaining 60 per cent.

Mr Heinze Ruhnau, chairman of Lufthansa and Mr Reinhardt Abraham, the deputy chairman, signed the agreement in Peking after it had been approved by the Chinese State Planning Commission and the Council of State. Formal approval from the Chinese Foreign Ministry is expected within three months.

The venture is to be managed by Mr Werner Hupe, a Lufthansa executive who has spent four years in China preparing the project. Work is to begin in August.

Lufthansa already has a joint venture in China, with Peking City Council. This has taken the form of a joint venture company, the Peking Lufthansa Centre company, which was formed in November 1987 to develop a DM420m hotel and business centre in Peking.

Lufthansa said then the centre would be a base for entrepreneurs seeking to establish business ties with China. The centre is to open in 1990-91.

The Peking Municipal Commercial Service and the Network Development Corporation of China and Lufthansa participate in the joint venture company on a 50/50 basis.

● Short Brothers will probably build airframe parts for the 50-seater Canadair Regional Jet, whether Bombardier makes a bid for the Belfast company or not, writes Robert Gibbens in Montreal.

Bombardier, owner of Canadair, said it had asked Short to bid on RJ parts before the British Government placed it on the list of potential buyers of Short.

Bombardier was examining Short for potential synergies with Canadair and it would decide whether to bid soon.

UK NEWS

BANK OF ENGLAND QUARTERLY BULLETIN

Time 'not ripe' to enter EMS

By Peter Norman, Economics Correspondent

BRITAIN'S high rate of inflation, its huge current account deficit and the large gap between high British and lower European interest rates have persuaded the Bank of England that the time is not ripe for Britain to become a full member of the European Monetary System.

At a time when the cabinet is reported to be divided over whether to tie sterling to other European Community currencies in the EMS exchange rate mechanism, the Bank has sided with the Prime Minister in saying no.

However, the Bank's reasons are technical rather than political. They reflect a judgment that the British economy is currently out of kilter with that of West Germany and the other full members of the EMS.

It is understood that the Bank also believes that Britain's adjustment to the 1992 project for a barrier-free internal European market, with its free flows of capital, goods and labour, would be far more difficult in the fixed exchange rate regime of the EMS.

The Bank has in the past been regarded as a supporter of early entry for sterling into full membership of the EMS. Other supporters are Mr Nigel Lawson, the Chancellor, and Sir Geoffrey Howe, the Foreign Secretary.

But the Bank sees no contradiction between its reluctance to join the EMS now and the fact that four weeks ago Mr Robin Leigh Pemberton, its governor, signed the Delors Committee report. The report plots a three stage move towards economic and monetary union in the EC and includes the proposal that Britain should become a full EMS member in stage one.

Although the Delors report proposed that the first stage of towards union should start in July next year, the Bank regards the question of Britain joining the EMS exchange rate mechanism as an issue for the end of that stage and no deadline has been set for that.

The Bank's quarterly bulletin, published yesterday, outlined the economic problems that have prompted its opposition to full EMS membership.

Although the Bank clearly hopes interest rates will not have to rise again, there are substantial risks surrounding its policy.

Industrial disputes in support of higher pay, the possibility of interest rate increases abroad or impatience in financial markets with the slow adjustment underway in the British economy could force higher rates. One problem that has flared up since the bulletin was finalised is the rise in value of the dollar.

The Bank believes this is unwelcome to all the major industrial countries and the decision of central banks to allow the dollar through the DM1.9 barrier earlier this week was a change in intervention tactics rather than a change in the Group of Seven strategy of aiming for broad currency stability.

Warning for overseas economies

By Peter Norman, Economics Correspondent

INFLATIONARY pressures in the main overseas economies are greater now than they were six months ago and the path of measured inflation has been stronger than was forecast, the Bank of England said.

In its latest quarterly bulletin, the Bank said the short-term prospect is for a further edging up of inflation, after consumer prices rose by 4 per cent over the last 12 months in Britain's six Group of Seven trading partners.

The Bank suggested that the recent tightening of policy among the six should be enough to slow demand growth to a more sustainable rate. But it remains unclear whether it will be sufficient to reverse the rise in inflation.

The Bank's bulletin said that the US should take more convincing action to cut its Budget deficit in support of its economic policies. The bulletin suggested that West German and Japanese monetary policies have been tightened sufficiently. But this judgment was made before the latest rise in the dollar's value which came after the Bulletin went to press.

Nonetheless, the Bank said it expects a slowdown in overall gross national product growth for the US, Japan, West Germany, France, Italy and Canada from 4.2 per cent last year to 3.3 per cent this year, 2.6 per cent in 1990 and 2.6 per cent in 1991. World trade growth is also expected to slow from the 7.5 per cent estimated for 1988.

The Bank expects inflation among the six to rise to 4.4 per cent this year from 3 per cent in 1988 and then slow to 3.9 per cent in 1990 and 3.7 per cent in 1991. It forecast that US inflation, as measured by the consumer expenditure deflator, would average around 5.25 per cent during the forecast period.

The Bank acknowledged that the tighter policies in industrialised countries will worsen the problems of debtor nations. But it took a somewhat downbeat view of the proposal from Nicholas Brady, US Treasury Secretary, that debt reduction plans should be backed with money from the International Monetary Fund and World Bank.

"The proposals have already aroused considerable, and probably unrealistic, expectations among debtor countries regarding the scale of relief on offer," the Bank said.

Within the UK the Bank believes the present mix of tight monetary and fiscal policies should bring inflation in Britain under control.

But it also has warned that much better news on inflation and on the balance of supply and demand in the economy would be needed before it can contemplate a loosening of policy.

If the underlying message of the Bank's last bulletin in February was "so far, so good", the motto of its latest offering could be "so much further, so much better." But behind this view is the clear understanding that the Bank would not hesitate to tighten policy if conditions unexpectedly deteriorated.

In its report, the Bank said recent revised statistics have reinforced the impression of exceptionally strong growth in demand and output for much of last year, especially in the third quarter.

Personal incomes are estimated to have risen by more than 10 per cent last year with real disposable incomes up by nearly 5 per cent. Although the savings ratio, which at one point was thought to have dropped to 1.3 per cent in the third 1988 quarter, is now reported as having increased from 3 per cent between July and September to 4 per cent in the October to December period, expenditure figures show that demand grew a rapid 7 per cent in the year.

The Bank said fixed investment is now estimated to have increased by nearly 12 per cent last year. Profits of non-North Sea industrial and commercial companies, while generally strong, fell somewhat in the final quarter of last year.

Contributions to change in the visible balance #

£ billions	1988 compared with 1987	1989 Q1 compared with 1988 Q4
Total change	−10.4	0.3
of which:		
Oil	−1.8	−0.2
Non-manufactures	−1.6	0.3
Manufactures	−6.9	0.2
of which:		
Erratics	*−1.0*	*0.1*
Semi-manufactures	*−1.7*	*−0.2*
Cars	*−1.6*	*0.1*
Other consumer goods	*−1.2*	*0.2*
Intermediate goods	*−1.7*	*0.2*
Capital goods	*0.1*	*−0.1*

Individual components may not sum to total change because of rounding. Within manufactures there is also a small discrepancy due to approximations used in converting data to a balance of payments basis.

Britain seeks City views on export bank

By Peter Montagnon, World Trade Editor

THE Bank of England has been discreetly sounding out banks in the City about the idea of setting up an export bank with participation from clearing banks and other private sector institutions involved in export finance.

The talks have been purely exploratory but the Bank is expected to set up a working party soon to examine in greater detail the question of whether such a bank could play a useful role in providing exporters with finance at competitive rates.

The idea of setting up such a bank has come up before but met little enthusiasm from the export community.

It has been revived by the Bank because interest in the idea has resurfaced in connection with the current review of the status of the Export Credits Guarantee Department which is expected to lead to major organisational changes in that institution.

Bankers believe it will call for ECGD's flourishing short-term insurance business to be hived off into a separate public corporation which could expand into Europe after 1992 and might eventually be privatised.

There are, however, questions in the City about what would happen to the loss-making project division of ECGD on which capital goods exporters depend for support.

Lawson launches onslaught on Labour economic policy

By Philip Stephens, Political Editor

MR NIGEL LAWSON, the Chancellor, yesterday began the Government's onslaught on the Labour Party's new economic strategy by labelling it "the biggest repackaging exercise in the history of British politics."

Speaking to the Conservative conference in Perth, Scotland, Mr Lawson said that it was clear that there had been no fundamental shift in Labour's socialist approach.

He said that Mr Ken Livingstone, the left-wing Labour Member of Parliament (MP), had got it right when he told an interviewer this week that the results of the review were "classically in the tradition of the sort of fudge we had from Wilson in the 1960s."

After bitterly opposing every single act of privatisation Labour now said that it would not renationalise – it would merely seek state control by another name. After voting against every single reduction in income tax, it professed now to be converted to the merits of lower taxation in principle – provided it could raise it in practice.

Mr Lawson added that Labour had "even discerned the merits of free market capitalism – provided it is forced to dance to their own socialist tune."

In a foretaste of further attacks once Labour's review documents have been formally published and closely examined by Conservative Central Office, he said that the opposition had deliberately omitted any costings from its public spending programmes.

The reason was that they could only be met by "a swingeing increase in taxation." That made it clear that the "socialist leopard" had not changed its spots after all, he said.

The Chancellor defended the Government's own decision to hold interest rates at their present high levels to squeeze inflation and reaffirmed his determination that they would stay "as high as is needed, for as long as is needed", to get inflation down again.

Electricity strike a step closer

By Charles Leadbeater, Labour Editor

INDUSTRIAL action in the electricity-supply industry came a step nearer yesterday after leaders of 76,000 manual workers rejected an improved pay offer of 7.5 per cent.

The unions will today issue a circular to shop stewards, detailing plans to start an overtime ban and a freeze on the introduction of new working practices, from May 24 unless the offer is improved.

Union leaders believe it will be extremely difficult to persuade a majority of their members to accept an offer below 8.5 to 9 per cent, in the light of the recent rises in inflation, interest rates and settlements in other sectors.

The Electricity Council will be consulting the Central Electricity Generating Board and the 12 area distribution boards in England and Wales to see what room there is to improve the offer.

Mr Fred Franks, an official of the EETPU, the electricians union, who is leading union negotiations, said it was significant that the council had not said the 7.5 per cent offer was final.

The council said: "We went as far as we felt able today. No further meetings have been agreed at the moment but this could be done at short notice."

The unions – the EETPU, the AEU engineering union, the GMB general union and the TGWU general workers union – told the council they would not want to attend a further meeting unless it was prepared to improve the offer.

UK to seek worldwide accord on environment issues

By Richard Donkin

THE British Government is leading an attempt to secure worldwide co-operation on controls over the output of greenhouse gases and the destruction of the tropical rain forests, both regarded as significant contributors to global warming.

The move is in response to a broad consensus of scientists and meteorologists which believes that gasses such as carbon dioxide emitted by cars and power stations could be contributing to a forecasted rise in world temperatures.

Though international agreement over the extent of the rise and the consequent damage caused by melting polar icecaps is still to be reached, Mrs Margaret Thatcher, the Prime Minister, was convinced at the recent Downing Street "green" seminar that urgent action was needed.

She also gave her blessing to proposals for Britain to seize the initiative by drafting an international framework convention similar to the Vienna Convention drawn up in 1985 to set out the principles for guidelines and research into ozone depletion. The convention provided the umbrella for the Montreal Protocol in 1985 which called for a 50 per cent reduction in output of chlorofluorocarbons (CFCs) by 1999.

Mr Nicholas Ridley, the Environment Secretary, described the move yesterday as the "first fruit" of the prime minister's seminar and "probably by far the most important thing that has happened this week, if not this year."

The idea of a framework convention on climate change has been discussed for some time and was widely supported at the ozone layer conference hosted by Britain in March. The British Government has now taken it to an advanced stage and it became clear yesterday that the Department of the Environment had already started preparing a first draft.

The proposals are to be put by Lord Caithness, the environment minister, to next week's governing council meeting of the United Nations Environment Programme in Nairobi. He will also be urging the strengthening of UNEP and asking member states to follow the UK lead of more than doubling its financial contribution to the organisation.

Mr Ridley said he would resist any enforcement powers in the convention and predicted that Nairobi was the start of a "long saga of developing understanding" that would evolve over perhaps 50 years.

GM, Isuzu to invest £70m in four-wheel drive project

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS of the US and Isuzu, GM's 41.6 per cent-owned Japanese affiliate, are to invest £70m to produce a four-wheel drive leisure/utility vehicle in the UK for the West European market.

The Isuzu-designed vehicle will be produced by IBC Vehicles, the GM/Isuzu 60-40 joint venture based in Luton, north of London, and will almost double vehicle output at the plant to 70-80,000 by 1992.

The announcement marks a further significant step in the rapid development of the UK as a production base for Japanese-designed vehicles, adding to operations already under development or in production by Nissan, Toyota and Honda.

IBC was formed in October 1987 to take over production of Isuzu and Suzuki-designed vans at the former loss-making Bedford light commercial vehicle plant. The vans are sold in the UK as the Bedford Midi medium duty panel van and the Bedford Rascal/Suzuki Super Carry micro vans.

IBC said yesterday that it had achieved a net profit of £2.9m in 1988, its first full year of trading, on a turnover of £151m. The former Bedford van operation was losing £25m a year. IBC has achieved profitability a year earlier than originally forecast in 1987.

IBC sales last year totalled 35,211, more than double the 1987 level, helped by the company's entry into continental European export markets in February 1988. Exports totalled 14,210 in 14 continental markets with UK sales of 21,001.

Sales are forecast to rise by a further 20 per cent this year to 42,000 with 50 per cent destined for export. The company began double shift working a year ago increasing its workforce by 700 to more than 1,900.

The new vehicle will be a European version of the Isuzu four-wheel drive recreational vehicle that is currently being launched in the US as the Amigo and in Japan as the Mu.

The four-wheel drive recreational vehicle market is one of the fastest growing niche segments in the West European vehicle market. IBC expects the market to grow from some 200,000 units at present to 300,000 by 1993.

Mr Nick Reilly, IBC vice president, said that production of the Isuzu-designed vehicle was scheduled to begin in July 1991 with a planned output of 30-40,000 vehicles a year. At least 80 per cent of production would be earmarked for export to the Continent.

Japan's car makers, Page 18

British in the dark about single EC market

By Christopher Parkes

A SURVEY of British attitudes to the planned completion of Europe's internal market in 1992 has uncovered profound ignorance among the general public.

Only half of the 900 people questioned by the Consumers' Association in March had heard of the 1992 programme, and 11 per cent of those had no idea what it was about. Similar research in France discovered 90 per cent awareness.

Ms Rachel Waterhouse, association chairman, said in London yesterday that the blame for this lack of understanding lay with the Government.

"We have been told specifically by senior civil servants at the Department of Trade and Industry that we should appreciate 1992 is not for the consumer," she told a conference in London yesterday.

"We think the DTI should appreciate that industry needs consumers if it is to survive."

When enlightened by the survey team, more than 70 per cent of the survey respondents thought the single European market was a good idea. There was also considerable enthusiasm for the notion of a common Community currency.

Even so, the British remained steadfastly conservative when offered the prospect of a wider market for products and services: about three-quarters of the sample said they would prefer to buy British travel services, food and drink, clothing and furniture. More than 80 per cent were strongly in favour of buying British financial services.

There was little evidence that this "Europhobia" sprang from overwhelming satisfaction with what the UK offered, Ms Waterhouse claimed.

She called for more information to help the public make better-informed choices. "If a consumer is not made aware of what's on offer, it is hardly surprising that he is wary of making full use of the benefits of 1992," she added.

Consistent standards should be introduced for financial services across the Community, and she urged the European Commission to devise an EC-wide system for compensation.

Streamlined licence system to ease burden for UK exporters

By Peter Montagnon, World Trade Editor

THE Government has introduced a streamlined system of export licences designed to free exporters from the burden of obtaining individual permits for export of certain sensitive products to the European Community and countries such as the US, Canada, Japan and Australia.

Products covered include personal computers, recording and reproducing equipment and many electronic components which up till now have been subject to individual licensing requirements connected with the UK's obligations to prevent strategically sensitive goods reaching the Soviet bloc.

The new arrangements involve the creation of an open general licence under which companies can freely export the relevant goods to the designated countries. These include all the members of the Coordinating Committee on Multilateral Export Controls (CoCom) as well as the EC.

CoCom, which monitors strategic East-West trade, requires its members to operate national export licencing systems for all sensitive products so that their destination can be checked. It has, however, been working for some time on ways to eliminate the barriers to trade among its own members which result from this process.

Such a move is necessary not only in response to industry pressure for reducing red-tape, but also to ensure that CoCom can effectively survive as an institution once barriers to trade within the EC come down after 1992, making national licensing schemes harder to operate.

Rising steel mill output slows down

By Nick Garnett

OUTPUT from UK steel mills is continuing to rise but the growth rate has fallen off substantially from that achieved last year.

Steel production in the first four months of this year averaged 386m tonnes per week, an increase of 2.3 per cent over the same period last year.

This compares with a jump of 12.1 per cent in weekly output in the first four months of last year compared with 1987.

The slowdown in growth appears to reflect a tempering in general demand from UK steel-using industries following very buoyant demand over the past two years.

Bringing on stream in February last year a fourth blast furnace at British Steel's Scunthorpe site in south Humberside also had an effect in raising production.

Figures published today by the steel industry show that the provisional figure for weekly production in April was 383.9m tonnes, an increase of just 1.4 per cent on the same month last year. It was 1.2 per cent higher than the level in March.

The figures cover all steel producers. British Steel, privatised last year, accounts for almost three quarters of production.

Increases in steel output were secured last month in all steel producing areas. Total UK steel output last year was 18.95m tonnes.

European Court of Justice to hear vital pensions test case

By Eric Short, Pensions Correspondent

THE Employment Appeal Tribunal, presided over by Mr Justice Wood, has decided to refer the pension dispute case, *Clarke v Cray Precision Engineering*, to the European Court of Justice in Brussels.

The Tribunal is asking the European Court to provide answers to three questions relating to European law pertinent to this case.

But essentially the basic issue to be resolved is whether pensions and other benefits paid under a contracted-out occupational pension scheme are classified as pay within the meaning of Article 119 of the Treaty of Rome.

The case arose when Mr David William Clarke was made redundant by his employer, Cray Precision Engineering, and took early retirement on his 60th birthday.

He found that because of the actuarial reduction factors applied his pension was only around two-thirds the pension paid to a woman aged 60 in comparable circumstances. So, backed by the Equal Opportunities Commission, he went to the Industrial Tribunal on the grounds of sex discrimination.

The chairman of the South London Tribunal, Mrs Stella Hollis, took the view that Article 119 of the Treaty of Rome, which essentially bans sex discrimination over pay and related renumeration, applied to company pension benefits and found in favour of Mr Clarke.

However, the Employment Appeal Tribunal has decided to leave the interpretation to the European Court – a move sought by both sides in the case each of whom had made it plain that they intended to take the case to the European Court, if necessary.

The decision of the European Court on the questions asked will be crucial to the vast sections of the occupational pensions industry.

If the Court decides that Article 119 applies, and there is no appeal against its decision, then it would be discrimatory for company schemes to have different pension ages for men and women and this could well apply to past, as well as future, retirements.

The Treaty of Rome overrides national legislation, so in theory the decision of the Court in its interpretation of Article 119 would apply immediately without the need for UK legislation.

A decision in favour would bring about complete confusion in the UK pension scene. All EC directives on equal status in pension provision have emphasised that company schemes would not be required to implement equal pension ages until the State has first done this.

But Article 119 does not apply to State social security schemes, so company schemes would be compelled to equalised pension ages without the State having to take similar action.

However, it is expected that it will be at least a year before the European Court makes its ruling and Mr Justice Wood then delivers the judgment of the Tribunal.

EC plan to meet teacher crisis

By David Thomas, Education Correspondent

PLANS TO attract people in mid-career and teachers from other European Community countries into the teaching profession were unveiled yesterday by the Government.

The proposals are the latest sign of concern about the prospects of severe teacher shortages emerging in the next few years.

These fears will be underlined later this month when Britain's independent schools announce a special scheme to persuade young people to become teachers in both the private and state sectors.

The Government yesterday issued a draft circular to local authorities on a new breed of teachers, which it is hoped will encourage more people into the profession.

Licensed teachers, or those trained on the job for a certain period, were first suggested in a consultation document published last year.

The circular also discloses that as from September teachers from other EC countries will be automatically recognised as fully-qualified teachers in British schools.

Education authorities are likely to use this provision to try to fill shortages of language teachers and also to increase the recruitment of Irish teachers.

The teaching unions reacted angrily to the consultation document.

The National Union of Teachers is pledged to support members taking action against unqualified teachers.

From September, people aged over 26, with at least 2 years' higher education and grade C in GCSE maths and English, will be able to train in schools without taking a full-time teacher training course.

Education authorities can choose to pay licensed teachers either as fully-qualified teachers or at a lower rate.

Government's U-turn gladdens cabbies

By Rachel Johnson

LONDON'S cabbies were celebrating a Government "U-turn" yesterday after Mr Michael Portillo, the Transport Minister, annouńced that he had dropped his proposals to change the taxi trade and end the 350-year monopoly of the black cab.

The black, or Hackney, cab is as traditional a sight on the streets of the capital as the red London bus and its possible demise had prompted a widespread response.

The Transport Department has abandoned plans to compile a discussion paper on the taxi and private car hire trades following over 600 pleas from cabbies to maintain the present system.

The system includes a compulsory test of 468 London routes which the cabbie is expected to know by heart and which has become known as "the Knowledge."

The review of the taxi trade will remain confidential but is known to have examined the possibility of licensing private hire in London, which could have resulted in minicabs being allowed to ply for hire on the streets in direct competition with the black cabs.

Minicabs outside London require licences from local authorities. This too will remain unchanged, although Mr Portillo expressed disappointment yesterday that councils were still "rationing the issue of taxi licences, which distorts competition and the operation of a free market."

Mr Portillo has agreed with the Licensed Taxi Drivers' Association that London benefits from "the best taxi system in the world."

"It has become clear that the high standards of service and propriety offered by taxis are highly valued by respondents and the public," he said.

Mr Robert Oddy, vice-chairman of the LTDA, said: "I'm not surprised at Mr Portillo's U-turn because not only 20,000 licensed cabbies but many MPs were violently opposed to his proposals."

● An 11 per cent increase in London taxi fares was announced by Mr Portillo yesterday. He said it took into account increased running costs and the extra £2,000 necessary to convert all new cabs to allow for wheelchairs.

MANAGEMENT

Widney Eurocraft

A reorganisation just in time

David Thomas recounts the benefit to a UK company of two engineering students on secondment

Eddie Thomas has just done something which few managers would have the nerve to attempt – he has handed over responsibility for a project vital to his company's future to a couple of students whom he had barely met.

Thomas is managing director of Widney Eurocraft, a Black Country metal basher which operates out of one of the many factories huddled together on the outskirts of Dudley in the West Midlands. A subsidiary of Widney, the quoted Birmingham-based engineering company, it makes racking systems and cabinets for telephone exchanges and similar products.

When Thomas came to Eurocraft a year ago from BICC, the cables and engineering group, the company was in deep trouble. "There was a question mark over the viability of the operation," he recalls.

An inefficient manufacturing operation coupled with high costs meant the company was losing money on a £3m annual turnover. Thomas quickly identified lead times as the key problem. It took 12 weeks for materials entering the factory to emerge as finished products; since material content accounted for over half the final price, that was just too much.

The Widney board backed Thomas's attempt at a turnround. It sanctioned a £750,000 investment programme which included new computer systems yielding fuller information on the flow of the goods through the factory. It supported Thomas in replacing most of Eurocraft's senior managers and in trying to win new customers outside telecommunications. All in all, Thomas says, "it took a major act of faith."

That faith was justified when British Telecom and Mercury Communications, Eurocraft's main customers, placed big new orders early this year. Efficiency improvements had already helped the company to move into profit in the first quarter of 1989. The new orders sustained Thomas's decision to take on more workers; Eurocraft's complement now stands at 170, almost twice the number a year ago.

But a sharp cut in lead times was essential both to be certain of completing the orders on time and to carry through its programme to improve efficiency. This is where two Aston University students enter the story.

In his pinstripe suit, Thomas hardly looks the part of a radical. Yet, he says, he prods his managers into coming up with fresh ideas. "I've encouraged them as much as possible to question traditional methods."

Kevin O'Toole, Eurocraft's down-to-earth manufacturing manager, took his boss at his word, making two far-reaching decisions. First, the factory would have to rip up its traditional assembly line lay-out and design a new work-flow from scratch if it were to slash lead times.

O'Toole favoured the Japanese-inspired just-in-time production philosophy, which helps to keep a rigorous check on the flow of materials through the factory. He was particularly impressed by the "Kanban" production system by which a process downstream of the final assembly is not carried out until just before the final assemblers are ready for it.

"We may be a Black Country sheetmetal concern, but that does not stop us from trying to take a radical approach and become a centre of manufacturing excellence," O'Toole asserts.

Second, and more boldly still, since the factory was going to try something new, O'Toole asked himself "why not bring in someone fresh, who's never done this before and see what they can do?"

Eurocraft had taken Aston engineering students on secondment in the past, so O'Toole went to Aston's engineering department and explained his requirements: "I was looking for the right mental attitude – greenness, naivety, if you like, but coupled with enthusiasm."

Aston came up with a couple of final year mechanical engineering students, Nigel Harrison and Philip Miners, who were looking for a project as part of their M.Eng. degree.

The two students, both 23, moved into the factory on January 25 with a simple brief. They had to design and set up a new production line. The new line must boost capacity without demanding extra floor space. It must slash lead times and the mountain of parts which built up under the old system. And it must be up and running in two months.

In one sense it was a pilot project, since the design would be extended throughout the factory if the line worked. But in a more important sense it was very much for real; Eurocraft was banking on the increased output from the new line to help meet its orders. "We had already made commitments to our customers that required that capacity," O'Toole explains.

So Harrison and Miners were given the overall concept: create a line based on just-in-time and Kanban, but the rest was down to them. "They had an awful lot of detail to fill in," O'Toole says.

The students spent the first few weeks studying the existing flow of work through the factory and frantically mugging up on just-in-time and Kanban, about which they had only the haziest notion. "At that stage, we were not well-qualified in the subject," Miners admits laconically.

After four weeks of analysis, the students started to design a new layout, partly on paper and partly by testing possibilities in a corner of the factory which had been specially cleared. They came up with four possible designs, but then quickly focused on one.

The new layout is simplicity itself. Arranged in a rectangle, one side is made up of benches producing parts for the finished cabinets, with the line opposite consisting of six benches assembling the parts into the final products. The key to the whole operation are the Kanban trolleys which take the parts from the sub-assembly benches to the final assembly benches, thereby completing the rectangle.

The trolleys bring parts to the final assembly benches only when there is work to be done. The parts are made only when they are needed; the arrival of the trolley is the trigger for that operation. No Kanban trolley, no production.

In Eurocraft's old system, if the factory had an order for 500 cabinets, the sub-assemblers would produce 500 batches of parts, most of which would sit around for weeks until they were needed. Now the parts are produced just in time.

While the final layout is easy to understand, the students had much to do before they could unveil their handiwork. They had to design the layout, the Kanban trolley, the workbenches and the lighting. They had intended to buy ready-made workbenches, but Kevin O'Toole told them they would cost too much, so the students designed and built some instead; ditto with the Kanban trolleys.

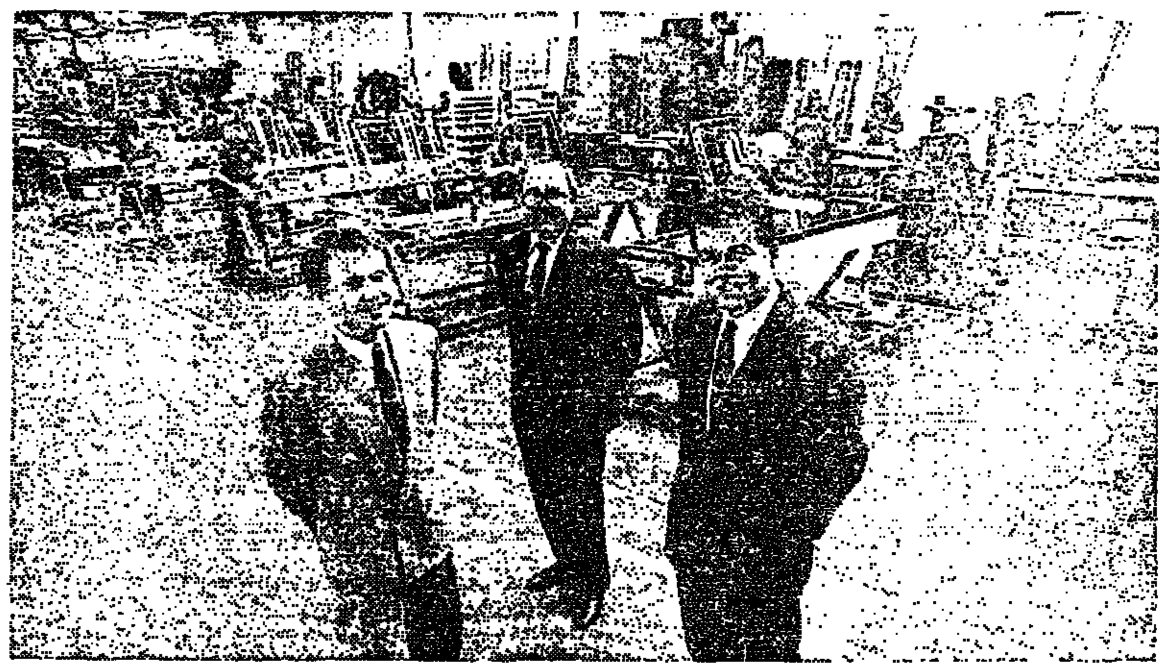
The students then had to explain Eurocraft's new production arrangements to the company's suppliers, some of whom are now introducing just-in-time themselves. One supplier had been used to sending Eurocraft screws in large bags. The students designed a container which stacks the different types of screws in exactly the right proportions for eight days' production. One container is always on the line, another in the stores, with the third back at the supplier being re-filled.

Finally, Nigel Harrison and Philip Miners had to sell the new system to the production workers. It took them the best part of a morning to explain the change to the 25 workers earmarked for the new line. Most were women older than the students. "They know how to talk back at you if you haven't got it right," Harrison remembers.

Eurocraft's managers had just one more piece of the jigsaw to put in place: a completely new payment system. The operators had been on piece rates, giving them an incentive to make as many parts as possible. This was wholly inappropriate to just-in-time philosophy, so Eurocraft introduced a line bonus scheme. "We even had to change our payments system because of those two students," Kevin O'Toole jokes.

The students kept in close touch with O'Toole throughout the project, bouncing ideas off him. He says he would have realised immediately if they were not up to the job, allowing him to step in before too much time was wasted. But he also insists they were given a free hand, once he was satisfied with their competence.

Eddie Thomas is well pleased with the outcome. He calculates that the new layout has increased capacity by 79 per cent, boosted productivity by 20 per cent and cut lead times by 61 per cent – all with no increase in factory floor space. What's more, the working environment is less cluttered and has helped to generate more of a team atmosphere on the line.



Nigel Harrison (left) and Philip Miners (right) with the director whose faith was justified, Eddie Thomas

Ford's cosmopolitan carousel

Michael Skapinker on the motor group's international management policy

The managing director of Ford Italy is French. A Norwegian runs the Ford sales company in Spain. A Belgian is in charge of the Dagenham body and assembly plant in the UK. The head of Ford UK is an Englishman, but he used to run the company's operations in Brazil.

Five of Ford's European companies are run by nationals of other European countries. The remaining 10 European companies are headed by local executives, but nine of them have worked in other countries.

Louis Lataif, the president of Ford Europe, says that "in the distant past, to be fair, Ford's American parentage has been more apparent, with US nationals in charge of most overseas divisions. But this is certainly not the case now. There is a broad international base in Europe, while an increasing number of European nationals are moving to senior management posts in the US.

"Such internationalism has only been achieved by a clear commitment at the highest level and deliberate policy decisions – but it is still far from complete; the integration of operations and free flow of staff worldwide is the ultimate goal, for Ford, like other car manufacturers, now sees itself operating in a global market and, as a result, has set out to build an international management team which reflects this."

So how does Ford go about developing international managers? In an article to be published in the June issue of the European Business Journal*, Lataif says that the process begins with the recruitment of young managers from business schools.

With a few exceptions, British manufacturing companies do not believe in hiring the graduates of Europe's business schools. They feel they have absorbed an excess of theoretical information, that they have insufficient practical experience and that they ask for too much money.

Ford has no such qualms. The company recruits Masters of Business Administration graduates from schools like Insead in France, Imede in Switzerland, Iese in Spain and Bocconi in Italy.

Lataif believes that "the European business schools attract some of the most talented graduates. These graduates are, in turn, attracted to companies like Ford, who are able to offer them the opportunity to develop this international outlook."

Those joining Ford from the European business schools are usually given jobs outside their own countries. "These will be the fast-track senior managers of the future and their progress will be monitored every step of the way," Lataif says.

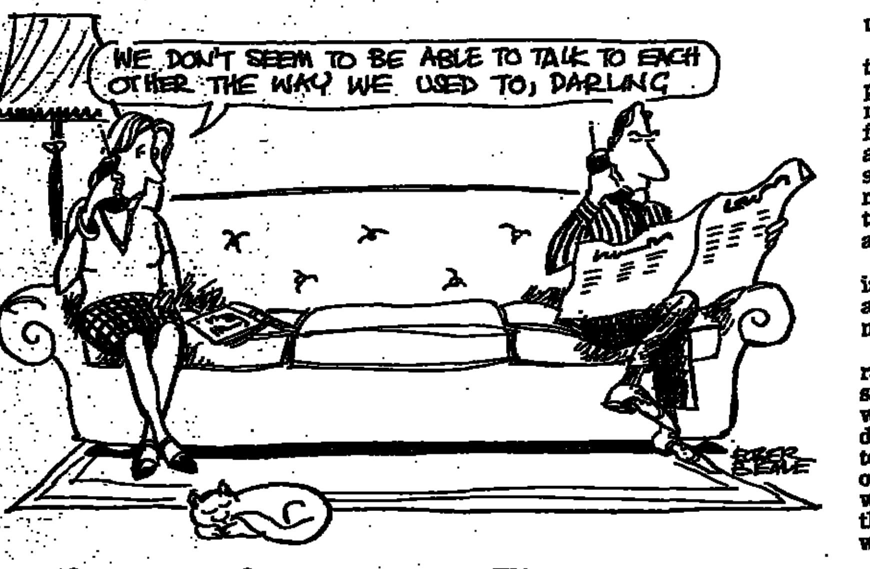
Ford has also set up programmes to ensure that its existing managers develop an international outlook. In 1985 the company set up the Ford Executive Development Centre "with the intention of providing a forum for the company's top managers to meet, share ideas and experience and talk with top officers of the company about its worldwide objectives and priorities," Lataif says. "It is a pooling of ideas and information that provides executives with a wider perspective of the company's activities."

Ford's top 2,000 executives are expected to attend a week-long session at the centre at least once every two years. Not more than 50 executives attend each session and they are divided into smaller working groups for the week. "Each programme is carefully structured to give a balance of nationalities, levels of responsibility and areas of expertise so that the widest range of views can be brought to every issue tackled," Lataif says.

In addition, Ford of Europe holds twice-yearly management meetings for all 350 of its senior and middle-ranking executives. "Once again, there is always a deliberate mix of country and job function in the discussion sessions where participants go through strategic plans, business plans and product development in frank, open debate," Lataif says.

European Business Journal, 19b Compton Terrace, London N1 2UN. Tel: 01-359-5979.

TECHNOLOGY



Fighting talk on new mobile phone

Hugo Dixon reports on the contrasting approaches to personal communications

Mobile communications have been such a phenomenal success in the UK that the Government is preparing the ground for yet another big expansion of the market.

Following the success of car and other cellular phones, and with a revolutionary pocket-phone service called telepoint on the way, the Department of Trade and Industry in January published a consultative document called Phones on the Move. The document outlines plans to introduce, as soon as possible after 1991, a third variety: personal communications. This new mobile phone is to be more sophisticated than telepoint, but cheaper than the up-market service provided by cellular.

Lord Young, the trade and industry secretary, has said that the service should be cheap enough for commuters and shoppers to afford. It is also envisaged that personal communications will be free from telepoint's principal defects: customers cannot receive calls and to make them they have to hunt around for a base station.

Now tens of companies from the UK and abroad, where Britain has gained the reputation as a pioneer in mobile communications, have submitted their ideas on how the service should work.

Some, such as British Telecom and Motorola of the US, have refused to talk. Those which have commented divide into starkly different camps.

At one extreme are companies such as Plessey and Cable & Wireless (C&W), which are advocating an ambitious "bells and whistles" service. Their idea is not simply to provide a new niche mobile facility, but a menu of services which would compete with both BT's local phone system and cellular services, as well as providing personal communications on the lines sketched out in Phones on the Move.

"We have to move rapidly if the UK is to keep its lead in radio technology," explains Jonathan Solomon, C&W's director for business development.

The main drawback to this approach is the expense. Plessey thinks it would cost £4bn to build two competing networks. Although that sounds like a lot of money, one telecommunications official described it as "chicken feed" compared with the amounts of money BT has invested in its network.

At the other extreme is PA Technology, a UK consultancy which has helped to define previous mobile systems. Geoff Vincent, a consultant, says that there is a danger of "getting carried away by the hype."

Rather than pouring billions of pounds into a new service and a technology for which demand is doubtful, Vincent advocates an evolutionary approach. In particular, he argues that the new telepoint operators should be allowed to develop their services gradually into personal communications in response to market pressures.

Somewhere in between these extremes lie companies such as STC of the UK. Unlike PA Technology, it is proposing a new system. Unlike Plessey, it is aiming to keep down costs by trying to eliminate as many of the bells and whistles as possible. It puts the cost at a few hundred million pounds.

Each approach entails a different technological solution.

Plessey is proposing a network of micro-cells, each 1 km in diameter, covering all the UK's urban areas. Overlaying this would be another network of macro-cells, of about 5 km diameter, which would cover both urban and rural areas. At the centre of both types of cell would be base stations transmitting radio signals.

The micro-cells would be used for providing two types of service. The first would be for people in town – the shoppers and commuters. The second would be for people at home: they could dispense with the wires provided by BT and communicate with the outside world by radio.

The macro-cells would also have two functions: to provide a car phone service, competing with the cellular networks run by Cellnet and Racal Telecom, and to link the micro-cells. Somebody making a call from home would first be connected to the nearest micro-cell and then passed to the nearest macro-cell by a radio link, before finally linking into BT's or Mercury Communications' wire network.

If people moved out of range of one of the macro-cells, their calls would be automatically diverted to the next one. Micro-cells would also be able to hand over calls in this way, but only at slower speeds.

Plessey is proposing a simplified version of the GSM radio interface as the technical basis for the new system. GSM is the standard for the pan-European cellular system, which is due to come into operation from 1991.

Plessey says that GSM is the only standard currently available that can provide all the services required. By riding on the back of a European-wide development, it argues that many of the same microchips could be used, leading to economies of scale.

For each type of service, there would be a different charge. The aim would be to undercut existing telecommunications services – cellular, telepoint and BT's fixed service.

Plessey believes that it is possible to offer these discounts and make a profit for two reasons. First, the infrastructure cost would be spread over the three main types of service. Second, the immense cost of digging up roads would be avoided by using radio to link customers to the telephone system.

Financial success, however, depends crucially on Plessey's forecast of 10m to 15m people using the system within 10 years of its launch. "If it is 3m customers, it is a disaster; if it is 30m it would be a licence to print money," says Professor William Gosling, the company's technical director.

Compared with this ambitious scheme, STC's proposals look rather modest. On almost every technical point, it has challenged Plessey's suggestions, which it believes will be excessively complicated and expensive.

Unlike Plessey, STC is proposing only one layer of cells – micro-cells with a radius of between 100 m and 1 km. These would offer full coverage only in urban areas.

STC proposes to deal with the rest of the country by grafting a nation-wide paging system on to the micro-cellular network. Base stations would be used for sending out paging signals as well as carrying conversations. These paging signals would have a much longer range and could, therefore, be used to track the location of mobile handsets across the country.

Locations would be fed into a centralised "intelligent" database, to which anybody trying to call one of the new mobile phones would be routed.

If the mobile phone were within range of a base station, a further paging signal would be sent out to it. This would tell it to contact the intelligent database where it would be connected to the caller. If the mobile phone were out of range of a base station, the caller would be able to leave a message with the database or bleep the person they wanted to contact.

STC claims that such an architecture would keep costs well below those of cellular. The use of an intelligent database to track the location of handsets would minimise the cost of computer processing, while the small cells would make for an economical use of power.

The key element of STC's plan is to use DECT rather than GSM as the technical interface. DECT is a new cordless telephone service being developed for the European market.

STC argues that DECT is a cheaper standard than GSM. For example, calls would not be transferred from one base station to the next if the handset moved out of range. This handover facility, which Plessey is proposing to incorporate in its concept, is described by STC as an "unnecessary complication".

STC also takes issue with Plessey's contention that GSM is the only standard available. Rapid progress is being made on DECT and, although the standard is not yet finalised, STC argues that it would also take time for Plessey to simplify and modify GSM.

PA's approach is conceptually closer to STC's than to Plessey's in that it is also advocating a combination of paging and cordless telephone technology.

The crucial difference, however, is that it does not believe a new service is needed. Instead, the Government should allow telepoint to develop from a one-way into a two-way mobile service. It could do this by giving the telepoint operators extra spectrum so that they could add a paging function to their networks. And the technical interface would be the CAI standard being developed for telepoint.

Geoff Vincent believes that introducing yet another mobile service so soon would confuse the public. Although he does not oppose in principle the systems advocated by Plessey and STC, he believes that demand will be insufficient and the technology will not be ready until the mid-1990s. In the meantime, he argues that the Government should not artificially constrain the development of telepoint.

It remains to be seen which set of arguments will win the Government's approval.

Oil reclaimed from slop

A WASTEFUL by-product of oil refining is an unpleasant substance called slop oil, a partly emulsified water/oil/solids mixture which is also an environmental hazard. However, it contains useful oil and the Swedish company Alfa Laval is supplying the Soviet Union with a reclamation plant that extracts a saleable product.

The company's latest project, a $4m plant at Novokujbyshevsk refinery, 1,000 km south-east of Moscow, will be able to deal with 45 cu m of slop oil an hour. A previous plant at Yaroslavl, north of Moscow, has been in action for a year and in the first six months 50,000 tonnes of slop were treated, from which 14,000 tonnes of oil were recovered at a market value of $1.33m.

Slop oil is drawn from the refinery's pond by a floating collector unit and is heated by steam injection to 75 deg C. Coarse particles are removed by a centrifuge and the partially cleaned liquid is heated to 98 deg C and passed into the main centrifugal separators.

The cleaned oil moves through a heat exchanger to cool it and reclaim the heat, while the water and fine solids are discharged separately. The four outputs of the process are clean oil, relatively clean water, soft sludge and coarse solids.

In the Novokujbyshevsk plant, the water will be passed though an additional separation stage that will make it safe for direct discharge into the Volga.

Measuring stress in aircraft

THE STRESSES in aircraft, caused by take off, climbing, descent and landing, can be monitored accurately and automatically with a computerised, on-board measuring system developed by Lockheed Electronics of Marietta, Georgia, in the US. Such stresses are recognised as an important cause of structural failure.

The system consists of a computer that collects and processes data from stress-measuring devices at various points on the airframe, and from the aircraft's regular instruments for monitoring air speed, altitude and vertical acceleration.

WORTH WATCHING

Edited by Geoffrey Charlish

The processor, which is programmed with stress details for the particular aircraft type, records all the instances in which the manufacturer's design tolerances are exceeded. Ground crews subsequently analyse the data to determine the effect of unusual stresses on the aircraft and to find out whether over-stressing could result in structural failure.

William Sproat, the Lockheed project manager, emphasises that the system cannot by itself predict catastrophic failures, but "it can help ground crews to project trends by providing much more visibility into the condition of the airframe."

Picture Book for PC users

DIGITHURST, the electronic imaging specialist of Royston in Hertfordshire, is offering a system called Picture Book which lets IBM PC and PS/2 computer users design and operate full-colour picture and text information systems.

Applications could include training, business presentations, electronic reference "books", photographic libraries and travel guides.

There are two software modules, called Editor and Run-Time. The first is used to compile the "book" by capturing images from video cameras, or entering others from storage systems such as magnetic or optical disk. Each image can have up to 99 points of interest defined on it, each of which calls up an associated image at the next level down.

For example, a travel guide could show a coastline with hotels and the user could zoom in on each hotel by choosing the appropriate point on the screen. From the hotel picture, a room could be chosen and displayed. Each picture can have descriptive text linked to it.

Connections with other levels or "branches" of this "tree" can be written into the software, so that the designer has control over how the user is guided from one idea to another. Up to 49 levels of information can be provided, giving scope for complex information structures.

Users can browse through the book simply by pointing at areas of interest or key words on the screen, thus calling up the next picture. A small version of the next picture can be seen in a corner of the screen.

The Run-Time product turns the compiled "book" into disk form so that it can be distributed. This software prevents unauthorised copying and protects investment where, for example, an agency has created a picture book on behalf of a client.

Picture Book costs £495.

Seeds sown automatically

AN AUTOMATIC seed-planting machine has been developed by the French company, Coverplant of Nice. Known as Coversem, the computer-controlled machine uses a vacuum pump with flow regulation, both for picking up individual seeds and for planting them via seed ejectors.

At the start of each cycle, polystyrene growing containers are placed beneath the seed ejectors. The computer is programmed to deal with the planting sequence and to follow it up by moving a new set of containers into place.

Coversem can handle seeds in the range 0.1 mm to 1 mm for all horticultural species. In a single operation, it is able to plant seeds from different species, each in a separate tray and in a variety of arrangements (for example, in line or staggered).

During a seeding operation, the computer keeps track of the number of seeds picked up. If a seed is missing, the error is detected and the software ensures that there are no unplanted positions.

CONTACTS: Alfa-Laval Separation: Sweden, 753 65000. Lockheed Electronic Products: US, (404) 494 4411. Digithurst: UK, 0763 242555. Coverplant: France, 9337 6643.

THE PROPERTY MARKET

Paul Cheeseright on two developments which typify the move from central locations

Fringe benefits and worries

THE BIG development companies tend to feel more comfortable with projects in central locations. They would argue that such projects are safer and less prone to the effects of market fluctuations. The fringe is hurt first.

But it might not be as simple as that and there have been two companies in London this week acting in a way which contests such loosely accepted wisdom.

Estates & General announced that it and Greater London Enterprise next October will start the construction of 160,000 square feet of office space at Regent's Wharf, just to the east of British Rail Property Board's massive Kings Cross redevelopment site.

This is an area where development projects have been few although investment interest has been stimulated by the plans for Kings Cross generally. Certainly it is not an established office area.

Parc Securities meanwhile received detailed planning consent from the Wandsworth Borough Council for its larger mixed development at Battersea Wharf, on the south side of the Thames facing Victoria. Here the office content of the scheme is 342,000 square feet.

Development in the Battersea area close to the Thames has been more extensive than around Kings Cross, especially in the residential sector, but it could scarcely be said to be a favoured office district.

Both these projects have something in common — they are next to water and will use this as a card to draw in tenants. And both of them are on land which needs a facelift.

Both reflect the changing nature of the economy in the sense that they will be providing space for white collar occupations where once the main use of the land was industrial. To that extent they reflect the spread of the traditional London office districts.

It is at this point that the accepted wisdom of the centre being best may begin to fray at the edges. There may not be a centre, just districts competing with each other for tenants.

The process of decentralisation out of city centres is well-established, not only from London but also from cities like Manchester. Neither Estates & General nor Parc will be out on a limb, unless the economy shuts down behind them.

Both Estates & General and Parc, by choice or chance, are taking part in the establishment of new decentralised commercial districts. Although Estates & General will probably have finished building by the time the main Kings Cross development starts, its project is an early start to a large movement of capital into the district.

Similarly the Parc project is one of several which create a belt of mixed development along the south side of the Thames. They include Mr John Broome's troubled and expensive attempt at turning the old Battersea power station into a gigantic leisure park and Regalian's Vauxhall office development, sold to the Government before the first hole has been put in the ground.

This decentralisation is not just a developer's stunt encouraged by the liberality of the banks. It has been a response to the demands of a changing and expanding south-east England economy. Growth has stimulated the reclamation of derelict land. And because this economy is likely in the foreseeable future to suck in a disproportionate share of national commercial activity, there is no reason to doubt that, over the long term, both these projects will be valuable.

However, the short term is more difficult. Construction starts this year against a background of a rise in the amount of floorspace becoming available in central London but a fall in the number of development proposals coming forward.

Parc's site is such that the office development, designed for up to four tenants, with its associated residential, retail and hotel elements, need to go forward together. Sale or leasing of space in one part is not likely to be successful unless the rest has been completed. People do not like to live, work or stay on a building site. The whole will take at least until spring 1992 to finish.

Estates & General can be more flexible as the development takes place in phases starting from the renovation of old but crumbling warehouses at the centre of the site. The individual units of space are relatively small. But if the present plans go ahead, completion will also be in spring 1992.

The state of the central London property market by then is matter for conjecture. On the supply side, according to the calculations of Jones Lang Wootton, office completions were 6m square feet in 1988, are expected to reach 7m square feet this year and should peak at 10m square feet in 1990. But that excludes London Docklands and whatever may happen in districts like Paddington. At any rate there will be considerably more space available in the 1990s.

The demand side is equally difficult. "We don't see Regent's Wharf as a financial location — there's more than enough supply in the City. We see this as a professional quarter," said David Bloomfield, the Estates & General managing director.

At Battersea, Parc is not keen to have tenants who would not be registered for VAT, so that pretty well rules out the financial sector. Brian Maple, the managing director, sees the offices as geared to the communications industry.

The approach at both companies appears to fit what has been happening in the market. A recent study of sources of demand for offices in the central London area by Debenham Tewson and Chinnocks showed that the dominance of the financial sector had been reduced partly because of an increase in the demand for space by the professions.

But, DTC noted, the professions are a subsidiary sector dependent on overall economic expansion and, in the case of central London, the prosperity of the financial markets. "If the economy should falter and/or a new stock market crash occur, the assumed rapid growth of this sector could evaporate."

At best Parc and Estates & General will be in a very competitive market.

One of the characteristics of the fringe and out-of-town office markets has been the sharp rise in their rents so that the sharp differential between centre and outside has been eroded. Looking inwards, Parc's prime space will probably cost around £40 a square foot, not hugely different from Broadgate in the City of London. Looking outwards, Estates & General's space will probably cost around £30 a square foot, not hugely different from Uxbridge on the M25.


Outlined, Regent's Wharf, site of an Estates & General project. In the background, the railway lands of Kings Cross

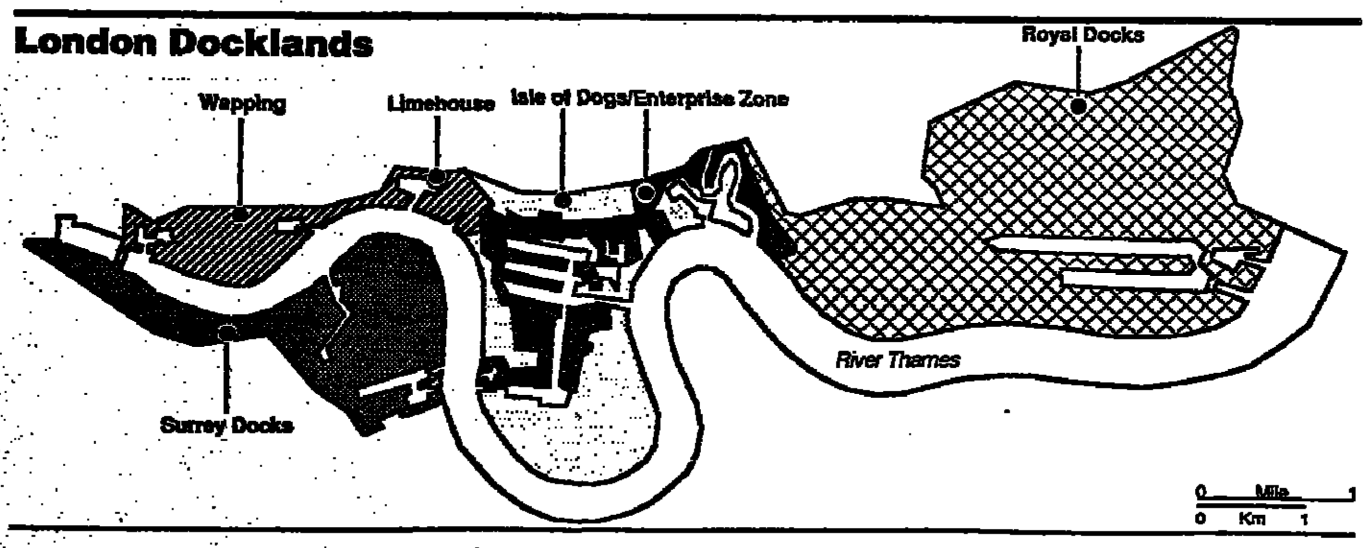
Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec. 88	19.9	27.9	22.2	23.9
Year to Mar. 89	18.2	27.9	23.4	23.3
Monthly rate — March 89	1.1	1.8	1.9	1.6

Source: Investment Property Databank

FINANCIAL TIMES SURVEY

Europe's largest urban redevelopment programme is well under way in London's Docklands. Improvements in transport to this former industrial desert, however, are trailing behind residential and commercial development, writes John Brennan



LONDON DOCKLANDS PROPERTY

CONTENTS

Extra wing for London

"THIS IS the most vibrant, exciting development in the world." Michael Honey may be excused a little melodrama. He is, after all, the chief executive of London Docklands Development Corporation (LDDC). He is also able to reel off the statistics of success at the pace of an auctioneer, and with the messianic gleam of a man who has seen the classic urban regeneration projects from Baltimore to Singapore and found them to be pale shadows of the work under way downriver from the City of London.

Private sector investment of £4.5bn has already been committed to developments within this eight-and-a-half square miles of former industrial desert. In the next few weeks the LDDC is expected to have cleared the timetable for the remaining parts of the further £2bn-worth of developments planned at the eastern end of its territory in the vast flatlands around the Royal Docks.

Add in a modest £400m of direct public sector development funds, plus government commitments for £750m-worth of new road and rail links, and you can see why Michael Honey exudes enthusiasm.

Yet, in the same breath, he describes Europe's largest urban redevelopment programme as "London's best kept secret". Everyone has heard of Docklands, but few have visited, and fewer still have any clear picture of what is happening there. Much of that problem, and most of the risk for developers in the area, can be summed up in a single word: access.

Taxis still get lost trying to weave their way past the construction vehicles into areas they would not have accepted a fare to a few years ago. Even before so much of it got bombed out of shape, the local road system was never designed to allow for cross-Docklands access. Cargoes were unloaded at individual docks handling their own cargo specialisations which were then hauled out of the area. Such inter-dock traffic as was necessary was left to the water, which is not much comfort for local car owners or bus users today.

The tube stops at Wapping, and it was not until the opening of the Docklands Light Railway in 1987 that there was any effective, if limited, transit system for the Isle of Dogs. The DLR will not make its connection with the main underground system at Bank until 1991, and it will be a couple of years after that before it runs the length of Dockland to Beckton with its cross-Thames connection to Greenwich still a matter for speculation.

Now, even with the evident, urgent pressure to improve access into the area to provide for the staff of the 10m sq ft of offices due for completion between now and 1991, improvements to road, rail and water links trail the commercial building. Before the summer is out the main, 50-storey, 800 foot Canary Wharf tower will be rising at a rate of five floors a month to become, by a full 180ft, Britain's tallest building. Yet the main cut-and-cover roadway through Limehouse, which will widen the bottleneck of road traffic getting to the tower and to the rest of the office developments on the Isle of Dogs will not be open until mid-1993.

That is why Docklands is still "the best kept secret". The developers can see the potential, and those in the main office building area in the centre of the Isle of Dogs can offset the risks of building ahead of the transport improvements by enjoying the last few years of Enterprise Zone allowances. But unless you are building it, selling it, working for one of the 1,200 mainly small companies attracted to the area since 1981, or have lived there since pre-LDDC days, there has been no real reason to go there. Or at least there has not been in the past.

The opening of a speciality shopping centre within the restored leaf sheds of Tobacco Dock in Wapping is expected to help draw in visitors. As an eastern version of Covent Garden, Tobacco Dock does not add much to the basic shop provision in the area, but it is expected to appeal to the tourists.

Everyone has heard of Docklands, but few have visited, and fewer still have any clear picture of what is happening there. Much of the problem, and most of the risk for developers in the area, can be summed up in a single word: access

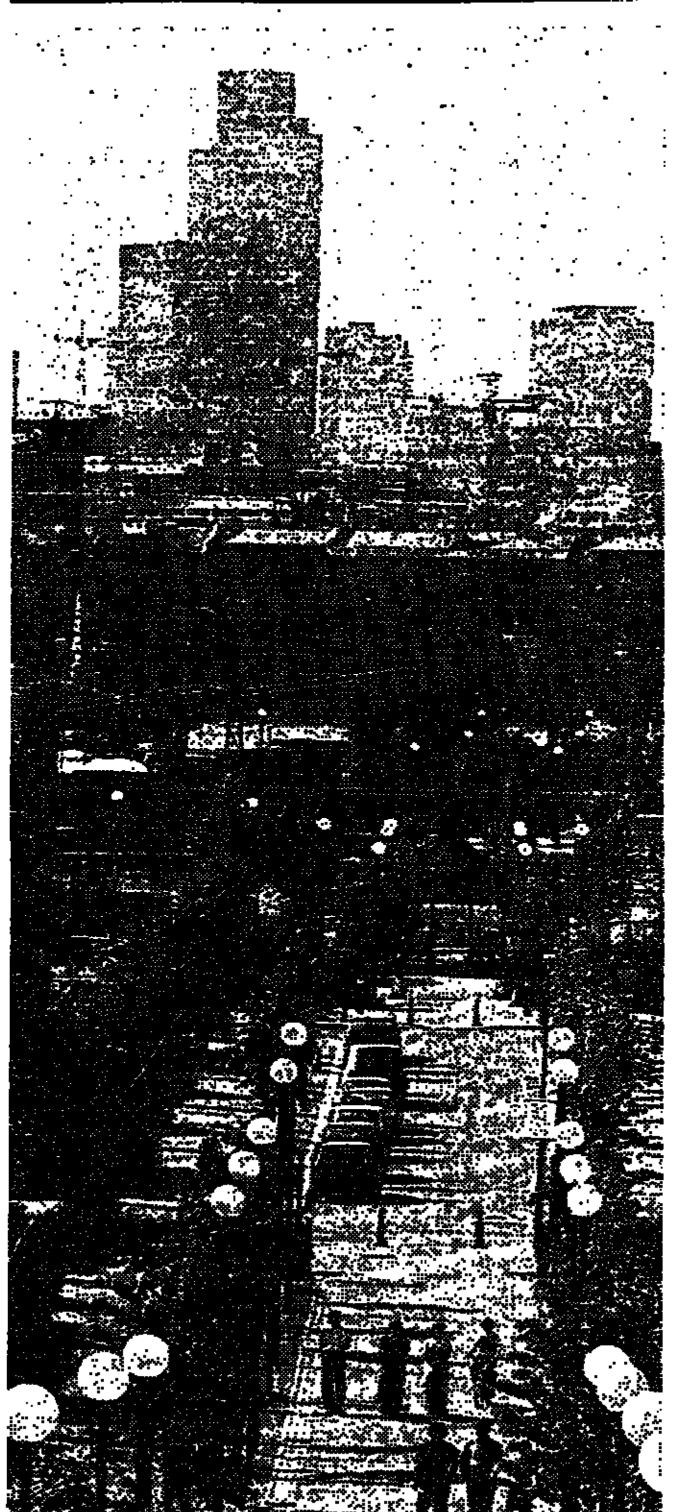
A Pavarotti Concert in June will also play its part in opening the area to newcomers. The singer's sole UK performance of the year should draw a different audience to the Isle of Dogs' recently completed 12,600-plus seat London Arena from those who make the trip into the area to catch Duran Duran's show there earlier this year. On a similar tack, the Academy of St Martins in the Field is on its way east to a new permanent home in the Wapping Pumping Stations, and the sight of double bases on the Light Railway and public concerts by the waterfront all help to dent the impression that the area is a cultural desert.

If those pleasures are too static, the social diary for the year ahead positively groans with sports events, from a visit by the Harlem Globetrotters to the London and South East Water Ski Championships. There are armfuls of fashion shows, regattas and awards ceremonies vying for attention with some improbable events, such as The National Sheep and Wool Fair, which is to be held later this month at Surrey Docks farm. The area's permanent attractions are also being added with the opening of a museum showing the work of the ragged school movement.

These might seem to be trivial matters set against the multi-billion pound commitments to create an extra wing to central London. But they are far from frivolous for an area with an image problem.

Transport problems or no, anyone who needs to get to an address in Docklands can do so. Having succeeded in winning the developers' cash, Docklands now has an urgent hearts and minds campaign to win to generate broader interest in the area. If it takes a Pavarotti or the Harlem Globetrotters to spark interest in the place, so be it, just as long as enough prospective occupiers and their staff do not mind sharing the building site inconveniences and the incomplete infrastructure with Docklands' pioneers.

The first phase of businesses into the area included many who positively liked the idea of working in the middle of controlled chaos. The critical next phase of incomers has to be persuaded that, apart from being cheaper, it is civilised, fun for staff and practical in terms of access to move east of Tower Bridge. The LDDC's role, as Michael Honey's "best kept secret" point affirms, is to make pioneer country look safe for settlers.



Surrey Docks: view of the City of London from Dock Hill

Photography: Alan Harper

Hazel Duffy on the Development Corporation

A shift in approach

IN THE last 12 months the stance of the London Docklands Development Corporation (LDDC) has started to shift. Development at all costs was the theme which dominated the first six years. That is no longer the case.

The turning point was the agreement between the Corporation and Olympia & York for the development of Canary Wharf. The board of the Corporation – its membership changed substantially last year – seems to have developed a more stringent attitude towards development.

The hotch-potch of styles that is taking shape on the Isle of Dogs will not be repeated.

Board policy, with government encouragement, has also steered the LDDC executive towards taking broader responsibilities for a more comprehensive economic development of its area.

The new direction surfaced in the selection of the developers for the Royals, the furthermost acres for which the LDDC has planning powers. The winning proposals from Rosehaugh Stanhope – one of three sections of the Royals to go out to competition – comprise an overall plan, architecturally controversial, for a shopping centre, marina, housing and business parks.

The developers also have a compact with Newham borough which includes commitments to employ local people, following the example set by Olympia & York in a similar agreement with Tower Hamlets over Canary Wharf.

Another perspective on the LDDC shift was the determination to secure higher land values, reflected in the breakdown of negotiations last autumn with a consortium for the development of part of the Royals.

The changes on the board of the LDDC last year demonstrated ministers' private concerns that the achievements in Docklands on the property development front, which have been paraded politically around the world, could be undermined by the continued isolation of the corporation from broader development goals.

A report from the Commons Public Accounts Committee had also aroused concern about the lack of accountability in the use of public money

Mr Honey: sound managerial experience

which is inherent in the development corporation mechanism.

Meanwhile, the LDDC is at the centre of a gathering crisis which relates to poor roads and communications generally. The very success of the property-led approach has exposed the inadequate infrastructure. Lobbying at the highest level by Olympia & York and other developers, backed by the corporation, led Mr Paul Channon, Transport Secretary, to give special responsibility for public transport to his minister, Mr Michael Portillo.

Progress is being made on roads. Some £550m has been earmarked for improvements, including the east-west Limehouse link. But the means of funding new public transport links, and some of the road improvements, remains uncertain.

The LDDC last year told the Environment Department, which funds the corporation, that without an increase in grant, the social obligations which the corporation had entered into with the local boroughs could not be met.

The campaign was taken up by businessman Mr David Hardy, who took over as chairman of the LDDC last autumn from Sir Christopher Benson. A former deputy chairman of London Regional Transport and chairman of the board of the Docklands Light Railway, he brought expertise on the workings of Whitehall in public transport, as well as business experience.

He was greeted with the announcement by Mr Nicholas Ridley, Environment Secretary, that the Government had agreed to top up the 1988/9 grant, bringing the total for the year to £116m. For the current financial year the LDDC says that negotiations are close to being finalised for a grant of "£100m plus".

The financial problems, however, are far from over. The LDDC needs to be sure of continued funding on this scale, and satisfactory revenues from land sales, if it is to meet the transport and social commitments which the board believes are necessary to make Docklands work.

Political balance to the LDDC board was brought by the appointment of Lord Cocks, former Labour chief whip, to the post of deputy chairman. Mr Linbert Spencer, chief executive of Project Fullemploy, which promotes training and work opportunities for long-term unemployed people, was brought on the board. He was also special adviser to the Commons Employment committee, which produced the highly critical report last summer of the LDDC's shortcomings in relation to training and employment in the Docklands area.

Mr Alan Benjamin, director of CAP group of consultants, was given special responsibility for employment matters. Mr Jonathan Mathews, a Tower Hamlets councillor, and architect Mr David Davies completed the non-executive line-up.

The new chief executive, Mr Michael Honey, taking over after the brief sojourn of Major-General Rougier, also went on the board. Mr Honey joined the LDDC with a reputation for sound managerial experience with a local authority (Richmond, Surrey).

Controversy has surrounded the LDDC since the early days. It can be seen now to incorporate some of the weaknesses, as well as the strengths, inherent in the Government's urban development corporation policy. Similar problems on the pace of development, and the need to assure local residents that public money is being spent to their advantage as well as for the newcomers, will emerge, although on a smaller scale, in the other UDCs.

John Brennan traces the history of the Docklands area

A far from inevitable rebirth

THE CREATION of the London Docklands Development Corporation in 1981 – under the terms of the previous year's Local Government Planning and Land Act – owes as much to exasperation with decades of abortive development hopes as to any visionary ideals about the area's potential. And the measure of success of the LDDC can only fairly be judged against the fact that today's construction activity takes place on the grave of Britain's major sea port.

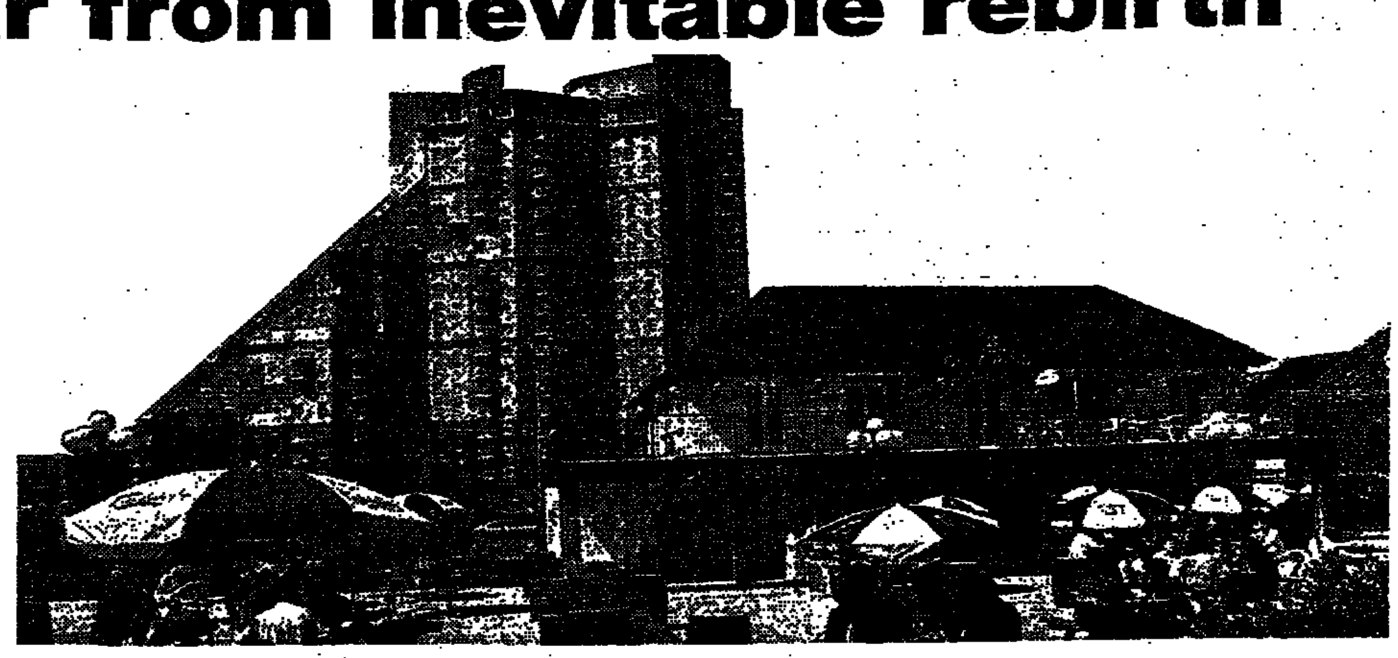
From early Roman times to the end of the 18th century, London's water-born trade was landed at the quays and wharfs of the Pool of London on the City river front below St Paul's Cathedral. It was not until 1799 that major construction works began to transform the quiet Thamesbank east of the City. In that year Parliament sanctioned a private Bill by the West India Merchants to ease the congestion and delays caused by squeezing 65 per cent of the country's total international trade into the medieval port area.

The merchants were given leave to build the West India Docks on the Isle of Dogs which, when they opened in 1802, were secured behind high brick walls guarded by armed militia and special constables.

Once broken, the City port's monopoly disappeared as the banks of the Thames from Tower Bridge to Gallions Reach disappeared under successive armies of labourers. The navigators or "navvies", using the techniques of canal building and with no more mechanical help than picks and shovels, hand-carved and rebuilt the landscape to create the London and the East India Docks.

St Katharine's by the Tower of London followed, along with the Surrey Commercial Docks, The Royal Victoria, the Millwall, and the Royal Albert Docks. The new docks at Tilbury marked the end of more than half a century of constant development, much of which had taken place at a time when the policy of free trade and opening up of the colonies had spurred a vast expansion of the British merchant fleet.

In 1885, a third of the world's ocean going ships, and four-fifths of the world's steamships, flew the Red Ensign. From the time they opened,



A lunch-time pint at the City Pride. Behind: the Cascades development

London's new docks were packed with cargo vessels and in the mid-18th century the Isle of Dogs was Europe's largest shipbuilding centre.

Dock building effectively created London's East End, a phrase that only came into use in the 1860s as the working population followed industry's spread into the wildfowling marshlands and the country villages north of the immediate dock areas. The riverside hamlets of the sailors and ship workers and country villas of City merchants in Poplar and Hackney were fast-surrounded by cheaply-constructed terraced housing for the new industrial community.

Dockers worked day to day, queuing at the dock gates each morning to be taken on to handle a cargo, a brutish casual system that helped to make life in the area a losing battle for survival for much of the population. In 1890 the social historian Arthur Morrison wrote of the area beyond the City boundaries where, "... an evil plexus of slums hides human creeping things, where filthy men and women live on penn'orths of gin, where collars and clean shirts are decencies unknown, where every citizen wears a black eye, and none ever combs his hair."

Drawn under the single management of The Port of London Authority (PLA) in 1909, a further phase of mid-war dock developments made the Royal Victoria and Albert and King George V Docks, "The Royals", capable of handling the largest ocean going vessels. A patched and battered Port of London survived devastating bombing in the Second War to stretch down river to accommodate the container vessels and supertankers of the 1960s. In 1964 the PLA's jurisdiction was extended 20 miles seaward as part of a plan that would have created Europe's major sea and air port at the mouth of the Thames on Maplin Sands.

The smaller upstream docks nearest the City were closed in quick succession from the mid-1960s as the tidal Thames was too shallow for ship-borne container traffic to travel closer upstream than Tilbury, and as the PLA planned the future of London's port out by the major cargo routes of the Channel.

In the event, this confident vision collapsed under the weight of restrictive labour practices and long-term underinvestment in the existing docks. The failure of the PLA's proposals for it's "Maplin Seaport" proved to be only the final phase of a slow motion commercial catastrophe that handed London's long-dominant role as the focus of western European seaborn trade to Rotterdam's Europort.

The full scale of this commercial disaster was masked by the gradual pace of the port's decline. As fewer cargo vessels made their way up the Thames in the 1960s, substitute jobs were talked about, but not seriously planned for. Vacant

Rusting corrugated iron fencing masked untouched bomb sites

wharfsides provided cheap space for scrap yards and truck parking, empty warehouses provided good Victorian backgrounds for film crews, but they failed to attract the manufacturing jobs that the Docklands local authorities believed to be the natural employment base for the area.

At the beginning of the 1970s Docklands activist Ted Johns announced that, having evidently been abandoned by the rest of the country, the Isle of Dogs was leaving the United Kingdom. A Unilateral Declaration of Independence was drawn up, customs posts manned and passports issued in an effort to draw attention to the poor housing, schools and public transport in the area. The TV cameras came, and went. Even UDI couldn't help restore the 150,000 dock-related jobs that had given the area its commercial life in the peak traffic days after the Great War. And by the mid 1970s every one of the remaining 28,000 dock jobs had gone, along with 6 in 10 of the area's population.

The Department of the Environment and the Greater London Council sponsored a management consultancy report and hosted public meetings aimed at evolving a regeneration plan in 1972. But it was not until the GLC and the Dock boroughs of Tower Hamlets, Newham, Southwark, Greenwich and Lewisham joined to form the Docklands Joint Committee (DJC) that there was any effective strategic planning for the area.

Against the tide of events, and as late as 1976, the DJC was arguing that it wished to see, "a flourishing and viable port in East London". Its £600m reconstruction programme had to take account of the financial limits made clear in a Government White Paper on Docklands published in August 1975 and that had concluded with the blunt decision that, "the Government has no plans for special forms of support over and beyond" normal state aid for transport, housing and education support.

Improved transport was seen to be one key to the area's revival, and the DJC's plans foreshadowed much of the LDDC's eventual programme with a scheme for a new tube line, the "River Line", as well as a rapid transit rail system and improved roads and river passenger services. But the core of this plan also assumed that Docklands revival depended upon creating new industrial jobs.

In 1978 the GLC was prepared to try to raise the £455m then needed to extend the Jubilee tube line into and around Docklands to help break the impasse of poor communications blocking new job opportunities. But GLC leader Sir Horace Cutler found central Government response to the scheme, "so lukewarm as to amount to outright opposition".

By this time Taylor Woodrow had made one small beach-head of new private development in Docklands with the start, in 1971, of its initially limited hotel, commercial and residential scheme around St Katharine's Dock, close to Tower Bridge. Local planners opposition to anything that did not create industrial jobs dogged the project's early years.

Locked into a seemingly irreversible decline, much of Docklands at the end of the 1970s presented a picture of rusting corrugated iron fencing masking untouched bomb sites with traffic-less potholed streets running between boarded-up warehouses and decayed, water stained council estates where the only fresh paint was the graffiti.

It was for just such areas of urban decay, where the problems far outweighed any normal regeneration schemes, that geography Professor Peter Hall had suggested trying to capture something of the unregulated commercial vibrance of Hong Kong by designating tax-free and planning-free zones in the most run-down parts of Britain's older industrial cities.

This might have remained an interesting theory but for the interest shown in it by Sir Geoffrey Howe, who referred to Enterprise Zones in a series of pre-1979 election speeches, and who included provision for such Zones in his first budget as Chancellor of the Exchequer in the new Conservative Government later that same year.

The central area of the Isle of Dogs became one of the first of these Zones with a 10-year exemption on rates and 100 per cent Corporation and Income Tax allowances for capital expenditure on industrial and commercial buildings. And it was the Chancellor's support in cabinet that helped to ensure the success of the then Environment Secretary, Michael Heseltine, in arguing the case for making Docklands an exception to the Government's non-interventionist policy.

His plan for a single Development Corporation, which would be able to override each individual local authority's elective powers, may seem to be a rational solution with the benefit of hindsight. But it took a full 50 days of hearings by an all-party committee of the House of Lords to work through the petitions of pro-

Continued opposite

Continued from previous page
test, hear local witnesses, and see for themselves the extent and the effects of the virtual collapse of economic life in the area. The Lords concluded that an authority charged with creating a "lasting regeneration" of Docklands had to be given a chance to succeed. With a derisory initial budget of £65m the LDDC came into being.

Nigel, now Sir Nigel Broackes, founder chairman of Trafalgar House, was persuaded by Michael Heseltine to be the LDDC's first chairman. Planner and former new town chief Reg Ward set up the LDDC team as its first chief executive. Between them they set up an aggressive marketing programme, a TV and poster campaign asked "Why move to the middle of nowhere when you can move to the middle of London?" They used the LDDC's powers to assemble sites, and its limited cash resources to help in their clearance for housebuilding schemes – the only private venture investment that showed any real interest in the area at that time.

Rather than ape the traditional development area pattern of building advanced factory units and hoping to fill them, Broackes and Ward set the tone for the LDDC's early years by, as Broackes said, "making a start wherever we can".

Subsequent criticism of the LDDC's failure to impose a coherent planning structure and a consistency of architectural standards on developments ignores the reality of the situation in those early years when every investment was sees as a pioneering gamble. The LDDC's role was one of crisis management, not, at that time, part of any conscious shift of activity in London to it's more developable eastern side.

Subsidised development sites made it possible to provide low-cost homes for purchase to local residents, 95 per cent of whom were council tenants.

Private sector investment in property will total over £6.5bn

Much of the councils' initial opposition to the developments, and housebuilders' worries about being able to sell in Docklands, crumbled as it became clear that tenants were jumping at the chance to buy.

At the same time, the first of the residential conversions of warehouses in Wapping and Limehouse, and south of the river in Shad Thames, coincided with the early stages of a five year bull market in housing across London. The problems that had dogged earlier developments, and made even riverside housing in Docklands of interest only to a limited number of seeming eccentrics, were forgotten in a breakthrough in values. Flat prices doubled or tripled in value between 1981 and 1983, helping in the process to give the area an image as a property speculator's haven.

Late in 1982 the government agreed to fund the first stage of the Docklands Light Railway. That was a crucial reaffirmation of its commitment to infrastructure improvements and it had an immediate impact on land values. When the LDDC was formed much of Docklands would have rated a negative value, given the cost of clearance work in many areas. After 1982 values moved up steadily as there came to be competition for the best riverside sites. By the mid-1980s there was a fierce secondary market in site options as development companies that had been initially sceptical about the area began to realise that they were missing out on the biggest building site in the country.

By the time Christopher, now Sir Christopher Benson took over as LDDC Chairman in July 1984, he was able to talk of "a surge of great activity", with over 200 new companies and 5,700 new jobs having been drawn in. Brymon Airways had overcome local scepticism by landing one of its aircraft on the central wharf of the Royal Docks, giving a foretaste of what was to become the City Airport. And the Stock Exchange's computer centre was preparing to join British Telecom and Mercury Communications to give a high-tech flavour to the developments taking place on the Isle of Dogs. A public investment of £141m had drawn in private sector funds of over £800m – the LDDC could talk in terms of a "gathering momentum".

Yet no one at the LDDC had any idea then that the next phase of development would be nothing short of a direct challenge to the City of London's prime office market.

In mid-March 1985, developer G. Ware Travelstead was invited from New York to take a look at a 71-acre site on the Isle of Dogs by the then chairman and chief executive of Credit Suisse, Dr Michael von Clemm, and by Morgan Stanley's London chief, Archie Cox. Von Clemm had been looking for a site for a food processing plant when he first saw the wide-open spaces of the former West India Docks. He had interested Cox, and with Travelstead the trio came up with the idea of Canary Wharf to provide the kind of large area trading spaces unavailable within the City. The sheer audacity of the project – a £3bn budget to create 8.8m sq feet of offices with towers as broad at the base as St Paul's and rising 850 feet into the sky – had a stunning effect on attitudes to Docklands.

The City reacted by overturning its restrictive draft plan and opening the way for 20m sq feet of urgently needed new accommodation. For the first time Docklands was being talked of as a challenger to the Square Mile as base for international finance houses.

Ware Travelstead's campaign to persuade City tenants into the Canary Wharf scheme did not win the commitments needed to make a start on the main construction works. But it did raise the level of serious interest in Docklands offices as an alternative to relocation from west central or City space into purpose-built, and lower cost accommodation, out of town. That directly affected both the volume and the standard of other office schemes in the area.

The campaign also led to the eventual transfer of the Canary Wharf project in 1987 to the Canadian-based developers Olympia & York, one of the few property groups in the world with the resources to start building without confirmed pre-lettings.

The start of work on Canary Wharf in 1987 could be taken as marking the end of the extraordinary opening phase of regeneration on the western end Docklands. Just six years after the LDDC was formed, the 33 councils represented on the London Planning Advisory Committee were complaining that this once hopeless "no go" industrial and social slum area was taking the lion's share of business growth in the capital.

There is more than a decade's worth of building work to be completed in the area from Wapping to the eastern side of the Isle of Dogs, and south along the river to the Surrey Docks, but the next major development phase will be the creation of a water city by the Royals, the largest of the old port's dock sites and the last to close, in 1981.

Windsurfing on the Royal Victoria Dock

Adding that to the total Docklands story takes the prospective private sector investment in property to over £8.5bn. And even limiting forecasts to schemes that are either under construction or which now have full planning consent, today's 5m sq feet of completed commercial and industrial space should be nearer 30m sq feet by the century's end – enough to account for a fifth of central London's commercial accommodation.

Forecasts of 80,000 jobs by 1991, and over 200,000 by the year 2000 – with the housing, transport facilities and the broader infrastructure of shops and entertainments, restaurants and schools to serve the broader community – are no longer greeted with surprise, or scepticism. In many ways, the LDDC's success has been so swift, and so dramatic, that Docklands' revival is beginning to be regarded as though it were some inevitable process that would have occurred even if Sir Geoffrey Howe had not been impressed by Professor Hall's theories, if Michael Heseltine had not believed in the value of executive control, and Sir Nigel Broackes and Reg Ward had not gambled their reputations on a long shot.

The Newham Docks Community Association recently started a trust fund to pay for a commemorative bronze statue of a dock worker to be placed in the Royal Docks. By the time they have raised the money, Docklands' last docker will be needed as a reminder of the phoenix-like nature of London's own new town.

David Lawson on local attitudes

Distrust remains beneath the surface

JUDGING whether Docklands is a glorious success or an epic disaster depends on where you stand. Newcomers moan about the nightmare of getting in and out of the place and its lack of "heart", but they are generally happy with their shiny flats and money-spinning blocks. Old-timers are still unconvinced.

That doesn't mean crochety grey-hairs whingeing in pubs about the way the world is passing them by, but the people and politicians there before the government threw the rulebook away and imposed a development corporation on this former industrial wasteland.

On the surface, things have improved a great deal since the three local boroughs rejected the intruder by refusing all contact. Now they talk, work together and take the LDDC's money. But beneath the surface remains a strong feeling of distrust and dislike. Politicians are notoriously tetchy the world over if they lose powers, particularly to someone appointed by a rival party.

Southwark, which worked with the corporation until local elections swung the borough sharply left, became an implacable enemy. But now it is back in harness on schemes such as the renovation of a municipal housing disaster called the Redriff Estate.

"We have always been ready to deal with the LDDC on anything which benefits local people," says council leader Anne Matthews. "We just don't think it was necessary to set up the body to carry forward this sort of work."

Southwark's problem is the same as many another inner city council's: it is starved of government resources to carry out massive physical and social reconstruction projects. The LDDC has money and land but is not a housing authority. They need each other. So, for the last couple of years, the top people on both sides have been meeting to thrash out schemes such as Redriff.

Corporation chief executive Michael Honey sees this as a sign that things are going much better with the locals. He needed to make this sort of progress after taking over last year in the shadow of criticisms that the LDDC had steam-rollered through local feelings to achieve development targets. But the schism was almost inevitable considering the original brief given by ministers to get things moving quickly. Early on, the corporation had little time to waste on local criticisms: its first priority was to get derelict land into use and widen home ownership. Now it can divert more effort to cajoling local councils.

Millions of LDDC pounds are being spent on training, education and community projects; Elizabeth Filkin, former chief executive of the Citizens Advice Bureaux, has been recruited to oversee community development; even the top people in the corporation are admitting publicly that not enough had been done to build bridges.

Elizabeth Filkin: overseeing community development

Time and political tides have run in the corporation's favour. It was always thought that opposition would fade as the LDDC "worked in harmony with the boroughs and gave due consideration to the views of local people" – a succinct summary in a remarkably honest statement of the corporation philosophy contained in, of all places, a briefing for local schools.

Harmony there may be, but this has more to do with expediency than Pauline conversion by local politicians. Newham signed a "compact" with the corporation after the last general election, accepting that it would have to work with the system or go short for another five years. By agreeing to co-operate over development of the Royal Docks it would get a share of the profits and 1,500 subsidised homes for local people. Meanwhile, Tower Hamlets politics had swung right as Southwark went left, and the borough also came to an agreement. This promises LDDC-financed homes for 650 tenants in exchange for new roads.

It was thought that opposition would fade as the Development Corporation 'worked in harmony with the boroughs and gave due consideration to the views of local people'

Some community groups have held out, implacably opposed to every offer of peace. Others have acted as a buffer between the two sides, extracting real gains for local people. Without organisations such as the South London Family Housing Association, estates like the Redriff would not have been transformed. The LDDC needed their skills; Southwark needed the £22m Housing Corporation grant they brought – the largest ever made in the region. The scheme will produce more than 500 homes for rent and shared ownership at a time when the council has more than 360 homeless families in bed-and-breakfast.

But the undercurrent of distrust from the boroughs is still strong. The LDDC has put £5m into the Redriff, the latest in a string of deals involving seven estates in the Downtown area which have created more than 450 homes in partnership with housing associations and developers such as Barratt East London. But Southwark believes the corporation is holding back on pledges of yet more money for the area, including a promised £2m training package under discussion for 18 months, according to Ms Matthews.

This lack of resources could prove a major stumbling block in the corporation's ambitions of creating a consensus in docklands. Government spending watchdogs have been tightening LDDC purse-strings and chief executive Michael Honey admits that continuing problems with Southwark are because of financial shortages.

Meanwhile, critics within borough planning departments are saying the "compacts" signed with Tower Hamlets and Newham are full of holes. They point out that the promised benefits from the Royal Docks schemes have still not materialised and the alternative housing for those displaced by Tower Hamlets roads will be at much higher rents.

When questioned by local MP Simon Hughes in the Commons last month, Inner Cities Minister David Trippier said: "I am not aware of a problem with consultation. Indeed ... it is my clear impression that consultation with local authorities in the LDDC area is better than it has ever been."

That may be true as far as it goes, but neither Southwark nor Newham have accepted invitations to put representatives on the corporation board while it remains secretive about decisions, and ill-feeling still lurks in local town halls after LDDC officials have had their meetings and left. It could hardly be otherwise against a background of political animosity on one side and tight purse-strings on the other.

The residents of estates like Redriff perhaps typify the barrier the LDDC has to overcome. They are elated by the prospects of the long-delayed restoration of their homes, but it is a long slog to find one who has a good word to say for the very corporation which made the scheme possible. Like their councils, they are happy to take the money – but don't expect them to change their political views.

John Worrall on transport problems

Congestion is the price of success

FROM THE outset, transport planning in Docklands has been aimed at a moving target.

In 1964 Docklands was expected to have about 8m sq ft of new business space. The signing of the Canary Wharf deal in 1987 first put another 12.2m sq ft of offices, including ancillaries, into the pipeline and then convinced the development sector that Docklands was a worthwhile bandwagon.

Total development commitments now amount to 25m sq ft and more is likely as higher rents begin to justify the redevelopment of two and three storey buildings put up in the early days of the enterprise zone; 32m sq ft seems possible by the late 1990s.

Now comes the test of faith, however, because the implications of 200,000 or more jobs, a majority of them on the Isle of Dogs, are frightening many people.

Congestion is already a byword for Docklands, with only a fraction of those jobs in place. "The change of pace of development is the root of the problem," according to Bob Blythe, Director of Roads at the London Docklands Development Corporation. "It is a temporary price of success. Canary Wharf has changed everything."

It has also highlighted the fact that this vast amount of proposed space is off-centre in the city's radial transport network and, as yet, without even the connections of more modest locations such as Hammersmith. Its development is, nevertheless, supply-led, which means that it has to sell itself.

While the LDDC and the Department of Transport scramble to put the infrastructure in place, therefore, they must also make sure that public perception of the problem does not give the dog an irreparably bad name.

They have their work cut out. The Isle of Dogs is shaped like a potato sack with the River Thames on three sides. The only way in and out is through the top, apart from a riverbus currently carrying 62 passengers every 15 minutes.

Existing road access is principally by the A13, a main commuter route from south Essex and, at that point, for Kent traffic using the Blackwall Tunnel. Heavy rush hour congestion results in "rat running" through Poplar at the northern end of the island. Unwelcome through-traffic forms 30 per cent of movements in the LDDC area.

But, as Blyth points out, congestion in London will not go away and Docklands certainly does not have a monopoly. Docklands' particular problems spring mainly from this three or four year period of new construction.

Michael Portillo, Minister for Public Transport, recently compared Docklands to the "house of a DIY fanatic who is rewiring, replumbing and redecorating the existing structure, at the same time as converting the attic into a studio and adding a granny flat over the garage, coinciding with his wife having triplets and his parents coming to live with him."

Quite so. One or two developers might be having kittens, too, enterprise zone advantages notwithstanding, as their buildings complete before the new roads.

The roads are on their way, however. The Poplar bypass on the northern fringe of the Isle of Dogs and a new crossing of the River Lea to the north east, scheduled for 1991, should provide a relatively unfettered route eastwards to Royal Docks and the adjacent new East London River Crossing due to open in 1993. They will also plug Docklands straight into the motorway network by way of the already open South Woodford to Barking Relief Road.

The more critical stretch between Docklands and the City comprises the dual carriageway cut-and-cover Limehouse Link, due in 1993. It should carry 3,290 vehicles per hour running parallel to a maximum 1950 vehicles per hour on the City end of the A13. Congestion, undoubtedly, will not go away but Docklands' road access from outside London will then be as good as that for any comparable location within the conurbation.

Improvements to public transport, meanwhile, currently centre on the upgrading of the Docklands Light Rail-

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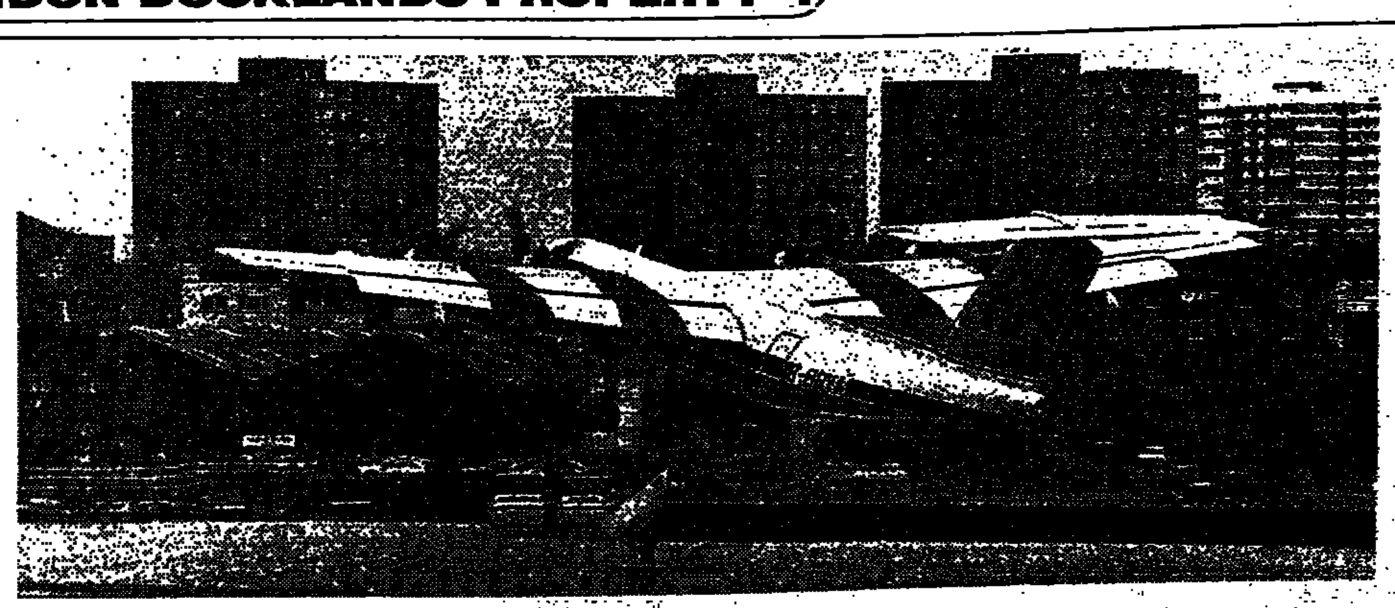


The quickest way out at the moment, but roads are on the way

OLYMPIA & YORK

Spreading influence

THE TOWER of Canary Wharf will climb over the horizon by the end of the year, making Olympia & York a visible as well as a felt presence. The tower at 800 feet, or 150 feet higher than the National Westminster tower in the City of London, will be as apt a symbol as any of O&Y's spreading influence.

O&Y – Canadian, private to the point of being secretive and run by the Reichmann brothers – brought Canary Wharf alive in 1987 when the previous developers were unable to put together a financial package to carry the project beyond the planning stage.

Canary Wharf, with its planned 10m sq ft of offices, 500,000sq ft of retail space, 400-bedroom hotel and 65,000-space carpark, is the biggest single project O&Y has undertaken. It will add significantly to a portfolio which already contains 50m sq ft of office space in North America, around half of which is in New York.

But O&Y has not stopped there. Through joint ventures, it has a direct interest in three other significant Docklands projects: retailing at Port East, residential at Heron Quays and mixed at the Surrey Docks.

Because the company holds one third of the equity in Stanhope Properties, it is indirectly involved in other Docklands ventures, not least the redevelopment of a large section of the Royal Docks, further to the east than Canary Wharf on the Isle of Dogs.

In short, the group is engaged in an attempt to establish a new community, the centrepiece of which is Canary Wharf, the largest development of its type in Europe. It is seeking to establish a new London commercial district alongside the traditional City and West End. In a way, one thing has led to another.

Because Canary Wharf is so large and will provide workspace for so many people, O&Y has been forced to use its influence and money to devise means of transport to link the Isle of Dogs with the world outside. Hence it financial support for an extension of the Docklands Light Railway, at least to the Bank in the City of London. Hence its pursuit of new rail links which would tie the Isle of Dogs into the existing London commuter network. Hence its concern about the woeful road connections in East London. Hence its work on the formation of a private-public consortium to bail out Thames Line, the ailing river transport business.

But just as Canary Wharf is designed as a number of linked pieces – the offices give an opportunity for shops, the companies in the offices need a nearby hotel – so O&Y has applied the same principle to its other interests in Docklands.

The retail at Port East fits into the development of the Isle of Dogs as a whole. It was natural to become involved in residential projects for homes for potential Canary Wharf company employees.

This suggests a degree of preplanning at O&Y about its role in Docklands. But, in fact, the O&Y expansion has been essentially opportunistic. It has taken the developments as they have been offered; it has not been out in the market looking for acquisitions. The main reason is that, even though its staff has climbed to around 140, it does not have the personnel.

None the less, the group is undoubtedly the most powerful single commercial presence in Docklands and, as such, probably has an influence with Government that is denied to most British companies. This comes about not just because of the size of its project but because of its huge financial resources.

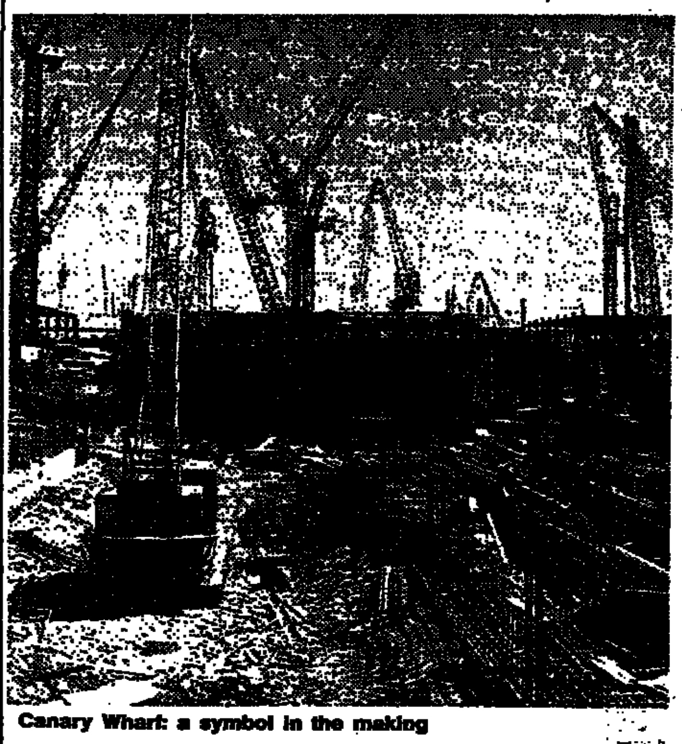
Nobody knows exactly how wealthy the group is. But it is wealthy enough for the Government to have given a sigh of relief when it came along and negotiated the terms for taking on Canary Wharf. And it is wealthy enough to carry the front-end risk for much longer than would be acceptable to a British developer.

So far, all the funds for what is ultimately a £3bn project have come from O&Y's own resources in North America. Its style is to secure finance only when an income is assured or when the project has taken visible shape.

When O&Y arranges finance it tends to favour borrowing from a consortium of banks on a relatively short term at a floating rate that can later, if necessary, be turned into fixed money through swaps.

This style will probably be adopted at Canary Wharf, although there are two factors peculiar to the British market which may result in modification of the usual technique. The first is the existence of the Isle of Dogs enterprise zone, which gives 100 per cent capital allowances on construction started before 1992. The second is the interest of the London financial institutions in providing long-term, fixed-interest finance.

Paul Cheeseright



Canary Wharf: a symbol in the making

RESIDENTIAL MARKET

Built up from a standing start

THE TRAGICOMIC fact is that the most violent critics, and the most unreserved enthusiasts for Docklands' housing, have never been there.

On the one hand, tales of million pound waterside apartments blocking the river from some of the poorest public housing in western Europe provide ample fuel for righteous indignation about the insensitivity of uncontrolled market forces. On the other, hopes of cashing in on the satellite launcher trajectory of property values in Docklands in the early 1980s have drawn speculative investors from around the globe into residential schemes from Wapping to Shad Thames, from Limehouse to the Isle of Dogs.

Comparatively few of the critics, and a surprisingly limited number of the speculators, have looked beyond the headlines and the promotional brochures to see what really has been happening to an area that represents the largest single source of new housing within London.

Just as distance breeds extremes, so any closer look at

Continued on next page

LONDON DOCKLANDS PROPERTY 5

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way which opened in 1987 but was by then already overtaken by events. Its present maximum capacity between Tower Hill and the Isle of Dogs of 3,500 passengers per hour is clearly now insufficient. Work is in hand on station enlargement to take longer trains and an extension from the western terminus at Tower Hill into Bank underground station is under construction, a first tunnel opening next year and a second a year later. Its final maximum capacity could be 15,000 passenger per hour.

But some simple arithmetic suggests that even more will be needed. If 100,000 people are to work in the Isle of Dogs (a conservative estimate for 25m sq ft), the DLR's 15,000 per hour to Bank station, 7,500 eastwards to the Royal Docks and whatever capacity a new crossing to Greenwich might have, implies that a majority of workers will have to travel by road.

That goes back to the question of traffic (which affects buses, bus lanes notwithstanding) and also to parking. The parking code has so far been aimed at accommodating only 20 per cent of the workforce, and although a new parking policy will be produced later this year, there are limits to what can be done.

All eyes, therefore, look to some form of mass transit system, which, effectively, means a new underground line — an idea which has been heavily promoted by Olympia & York. It is also one of a number of measures currently under consideration by the East London Rail Study which will be reporting to the Minister within the next two months.

There are two or three possible options but the favourite is a "Canaryloo" connection between Waterloo and Greenwich via Canary Wharf.

The minister has reaffirmed government support for the idea and subject to the findings of the Rail Study, it seems likely that a bill will be presented to parliament towards the end of the year. Once the market knows that the idea is definitely a starter, its potential capacity of 1,500 passengers per train should put a different complexion on matters.

John Worrall

OFFICE PROPERTY

Short-term over-supply

THERE IS a degree of grinning and bearing it in the Docklands office market at the moment. The gung-ho reaction which greeted Canary Wharf's entry onto the scene has turned to circumspection, prompted by the stock market crash, economic slowdowns and increasingly obvious infrastructure problems.

But with upwards of 30m sq ft promised by the mid-1990s, and with talk of massive developments at Kings Cross and of prospective over-supply in the City, this is no time for the faint hearted.

It is probably fortunate for all concerned, then, that faint heartedness is not usually associated with Olympia & York, developer of Canary Wharf. Leading Docklands from the front, the company is now bringing the 5m sq ft first phase of its 12.2m sq ft scheme out of the ground. Credit Suisse and Morgan Stanley were each signed for a 500,000sq ft headquarters building more than two years ago, but in March Merril Lynch committed itself to take 340,000sq ft and that was a letting the market needed to see. The accepted wisdom is that if Canary Wharf takes proper root, then the whole of the Isle of Dogs office sector will grow with it.

The power and persuasiveness of O&Y leadership in pulling in major tenants and getting infrastructure in place is thus central to the psychology of Docklands, lest chicken and egg reasoning takes over: tenants want to be sure that Docklands will succeed before they commit themselves but it won't unless they do.

But the next 12 months will still test a few nerves. According to Garry Silk of Jones Lang Wootton, joint letting agents on Canary Wharf with Debenham Tewson and Chinnocks, 1.7m sq ft of space is due to come on stream before any of the Canary Wharf buildings are complete and, on the face of it, over-supply, at least in the short term, seems to be a certainty. Silk says that rents can be expected to stay where they are at £20 per sq ft for the next 18 months as a consequence. It could be a trying time, although in mitigation, he says that tenants prefer a choice — tenants they will certainly find higher quality buildings in Docklands than in the City or West End, at hugely discounted overheads.

Ezra Nahome of Grant & Partners agrees. His firm is joint agent with Debenham Tewson and Chinnocks on Phase 3 of South Quay Plaza, the 241,000sq ft scheme by Marples International. He says that cost is the most compelling reason for potential tenants looking east, to the extent that Docklands has in a sense become a company hospital.

"Many financial sector operations are currently running at a loss and so they have three choices: cut staff, cut salaries or cut costs. Docklands allows them the latter option, which is always preferable." He points out that Docklands has very nearly the lowest rents inside the M25, but says that tax savings are still a big factor in the market — something which, perhaps, is to be expected, when the Enterprise Zone is the principal reason for the Isle of Dogs getting onto the map.

Mr Nahome's busiest time since arriving there was in the financial year ended in March, during which his firm sold £35m of tax shelter.

Nick Tomlinson of Knight Frank Rutley also cites cost saving as the biggest motivation of Docklands space takers. He is letting Harbour Exchange, a scheme of a million square feet in all, of which Phase 1, developed by the Charter Group, accounts for about a quarter of the total. Of that phase, 90 per cent has now been let, much of it in the first three months of this year, with space being taken by Nomura; British Telecom; Pershing Keen (part of New York broker Donaldson Lufkin); Guardian Royal Exchange; and Maersk, the Danish shipping company. Citicorp Insurance Brokers took 60,000sq ft, although they then amalgamated with Nelson Hurst Marsh and therefore sublet for three years to Olympia & York's Canary Wharf project team.

Tomlinson, like most others passing opinion, agrees that much depends on Canary Wharf. "If enough space is committed there, the impetus will encourage others," he says. Nevertheless he acknowledges the two other fundamentals which must fall into place: the road system, which, even to improve access onto the Isle of Dogs is still two years or more from completion; and the rail links.

This comes back to the fact that the Docklands office market is currently having to sell itself largely on trust. It is still a building site and, to an extent, an unproven and off-centre location which makes the visibility of efforts to improve infrastructure a very

Harbour Exchange: 1m sq ft

necessary part of the marketing. Another major problem for all involved, however, is the continuing lack of familiarity with Docklands among decision-makers.

That might soon begin to change. It has become a cliché, but is nevertheless true, that towards the end of this year the main tower of Canary Wharf will start to climb over the City's eastern horizon and turn a few heads. Then it may begin to dawn on people how close Docklands is to the City.

John Worrall

Continued from previous page

the capital's six mile-long building site reinforces the compromising fact there is no single Docklands' market. The garden suburb emerging in Beckton, at the far eastern edge of the LDDC's lands, bears as little resemblance to the converted Thameside warehouse and striking new buildings of Jacobs' Island on the South Bank as the semis of Stanmore do to the terraces of Regent's Park.

Confusion about Docklands' housing is an understandable result of the timescale of change. Looked at as a whole, in the space of eight years the private housing market in Docklands has been created from a virtual standing start, it has out-boomed west central London and, just as sharply, hiccupped to a halt, having been unnerved by the stock market crash of October 1987.

The fact that the equity markets storm did have such an effect on confidence, while it took a further year and a surge in interest rates to dent the pace of activity in the rest of the housing market in London, underlines the point that many actual or would-be buyers are just as unclear about the true nature of Docklands' mixture of housing markets as the outsiders.

It has been assumed that most private buyers are City working singles or couples without children whose prime barometer of confidence is the volume of City markets' turnover. As a result, prospective buyers in 1988 were evidently nervous about committing themselves to a purchase where the opportunities for resale could be in doubt. This was especially at a time when most of the first phases of residential developments in the western end of the docks are moving towards completion, and any resales would be in competition with first-time marketing of an average supply of 60 new flats and houses each week.

Since then, buyers have been further deterred by higher interest rates and by the wider choice of homes in west London at prices down from last summer's peak. Adding October 1987's nerves to autumn 1988's interest rate movements leaves developers and Docklands agencies reporting far fewer viewers and regular, unacceptable scavenger offers pitched a speculative 20 to 25 per cent below the asking prices. This is a real, but short-term problem.

Looking at private flat buyers' assumptions about the nature of the market, it would be surprising if it were not the case that demand has been led, thus far, by City-working singles. Residential building has run ahead of the commercial developments aimed at drawing more jobs into the area, and so, as Knight Frank & Rutley's recent ownership research confirms, six in ten

The area is the largest single source of new housing within London

Docklands buyers (seven in ten in Wapping) do work in the City or West End.

Equally, apart from the affordable housing aimed at existing local residents, much of the initial residential conversion and new building has taken place on or near the riverfront providing flats of a size and a price that pre-selects its potential market, and which does so with a clear eye on higher earning people without children.

But to see this as evidence of a failure of confidence in Docklands housing as a whole is akin to judging Van Gough's Sunflowers on the basis of his first charcoal sketches. With a further 3,000 completions due this year, and a fair number of last year's 2,300 completions still available, 1989 is unlikely to be anything other than a quiet, hard negotiated year for sales. And anyone hoping for the kind of value surges commonplace a couple of years back will hope in vain.

Beyond that, however, there are a number of reasons why even a prospective supply of more than 24,000 extra homes in the area over the next decade or so should be no real damper on future values. The first of these goes straight back to the different residential markets that are emerging within Docklands; markets that are distinctive enough to defy generalisations.

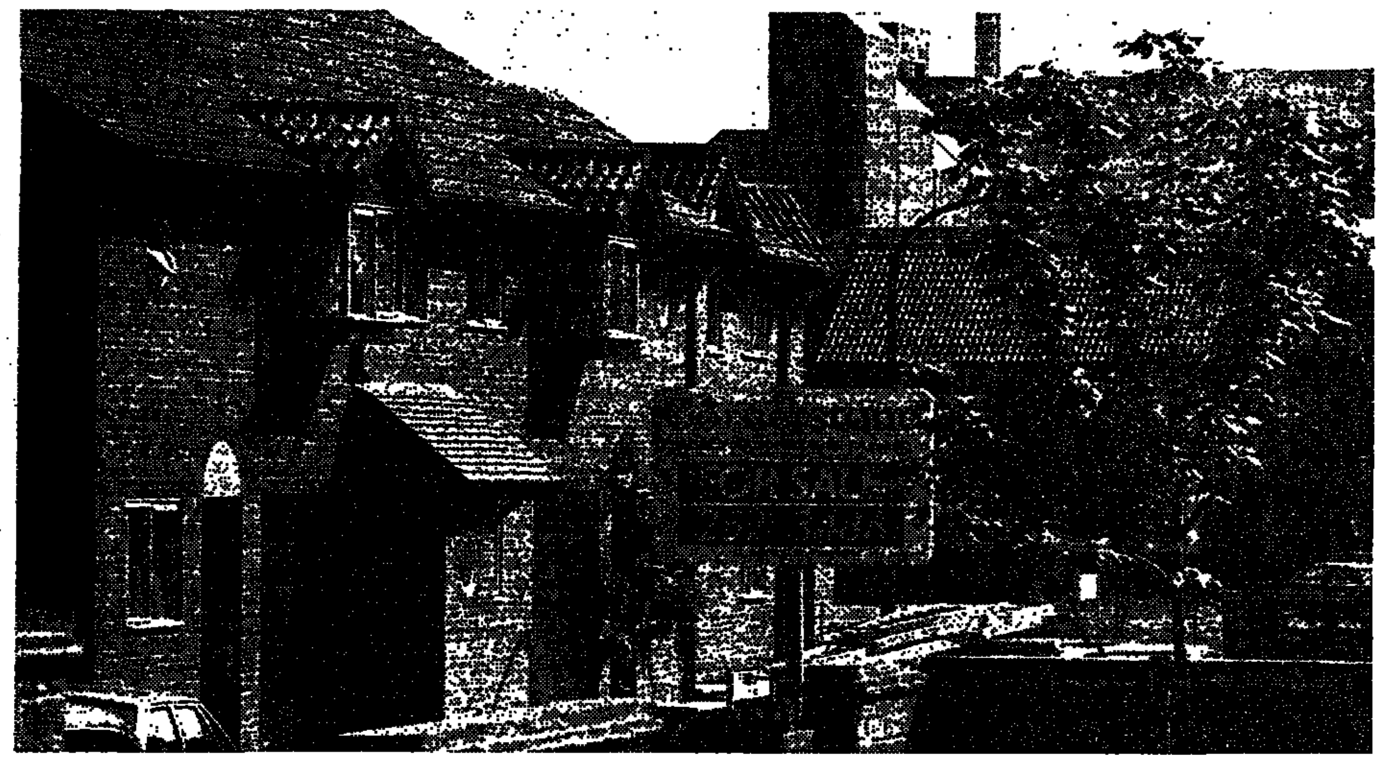
Wapping and Limehouse are already coming to be accepted as central, albeit still "fringe central", London addresses. Nearly half the total housing site capacity in both areas has now been built out and, as the last sites fill and the builders make way for the currently missing shops and restaurants, values are more likely to parallel those in other central London markets than any generalised figures for Docklands as a whole.

If Wapping, Limehouse and Shad Thames are set to be the Chelsea and Mayfair of the area, Rotherhithe and the Surrey Docks developments would accord more with the markets of Hammersmith and Fulham. The southern curve of the river down to the former Surrey Docks includes a high proportion of what, for inner London, are comparatively low-cost homes. Long-term values there are likely to be directly related to improvements in transport.

Over the river on the Isle of Dogs many of the residential developments that would have been competing for buyers over the next year to 18 months have been either slowed or postponed in response to the sluggish state of the market. As a vast office development site, the island's residential future leans heavily upon providing homes near work for the influx of office staff forecast over the next two to five years.

On completion, the offices in Canary Wharf alone could bring over 50,000 jobs to the island, and even if only half of the 24m sq feet of offices in the development pipeline are actually completed and filled, the 10,000 to 12,000 possible new homes there would scarcely match the prospective demand.

There are no real western parallels with the housing stock of the Isle of Dogs. Perhaps the nearest equivalent for the apartment blocks built or planned on the island would be with the City's Barbican, although here they would be Barbicans with a view.



Anyone hoping for the kind of value surges commonplace a couple of years back will hope in vain

Just as that is a medium to long-term bet in terms of housing values, so the Royal Docks are a housing market for the mid-1990s. Developers' interest is only just starting in the Royals on a regional shopping centre, the Londondrome sports exhibition centre and some 5m sq feet of business space. By the time that is well progressed, and the first phases of an eventual 7-8,000 new homes start to come onto the market, the East London River Crossing will be nearing completion (current target dates suggest 1993-94) and the Docklands Light Railway should have been extended through the Royal Docks to Beckton and into the rail system beyond.

Each of these individual residential markets does, therefore, have its own strengths and weaknesses, quite apart from any broader argument about the volume of housing completions in Docklands' swamping the London market.

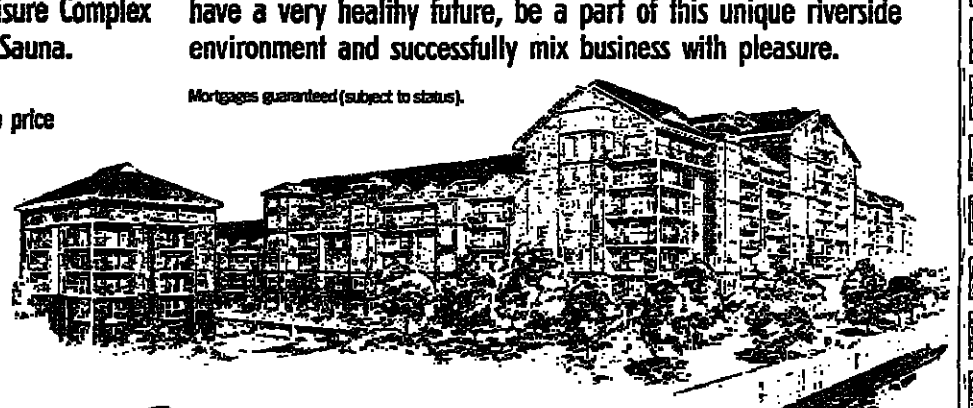
That theory is given a frequent airing, and it is used as reason for questioning whether a sufficient number of homebuyers can be found to keep pace with the supply of Docklands homes. But one look at the capital's untapped housing sites gives the lie to that thought.

Banque Paribas Capital Markets' estimate of land supply for housing in the central London boroughs, based on the boroughs' own surveys, identifies just 150 acres of land immediately suitable for housing in the combined areas of Camden, Hammersmith and Fulham, Kensington and Chelsea, Westminster and Wandsworth. The comparable figure for the LDDC was 930 acres, making it far and away the most important source of new homes in the capital.

As the supply of former rental flat blocks for renovation and resale is near exhausted, and as inner London boroughs have begun to resist further sub-division of existing family homes into smaller flats, and more commonly refuse conversions that will lead to even more on-street parking problems, it is becoming harder and more expensive to add to London's housing stock. Looked at in those terms, provision for 24,000 to 30,000 new flats and houses in Docklands over the next 10 years represents an addition of only 0.04 per cent to the existing total of inner London households.

It would be difficult to conjure the spectre of a housing glut from those figures, or to see any reason why sales activity in Docklands' residential markets should lag behind the rest of London as it revives from its long winter doze.

John Brennan



ARTS

Arts Week

F	S	Su	M	Tu	W	Th
12	13	14	15	16	17	18

THEATRE

London

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude. Michael Bryant a superbly busy and dangerous Polonius. May 16-18, May 25-June 1 (928 2252).
The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).
Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. May 12-15, 23, 24 (928 2252).
The March on Russia (Lyttelton). The old Royal Court firm of director Lindsay Anderson, designer Jocelyn Herbert and writer David Storey combine to good effect at the National on a new family visitation of the past. May 12-13 (928 2033).
King John (The Pit). Deborah Warner's RSC revival reveals a near-masterpiece, hitherto ignored. Worth queuing for, even at the Barbican, May 26, 27-30 (638 8891).
The Tempest (Barbican). Magisterial RSC revival directed by Hytner, with John Wood returning in triumph as the most complete Prospero of our age. Refreshingly unlike mainstream RSC work of late. May 18-27 (638 8891).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. (734 1166).
M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. (379 5399).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. (379 6107, cc 741 9999).
Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. (836 9987, cc 741 9999).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).
Icecream (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style, directed by Max Stafford-Clark (730 1745).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy.
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

American Juke Box (Ford's). Music from the 1950s and 1960s is performed by a dozen-strong ensemble directed and choreographed by Edward Love. Ends May 28.
Sophisticated Ladies (Kennedy Center Opera House). The first Soviet-American co-production of a Broadway musical features an energetic cast dancing and singing to a Duke Ellington score Ends May 27 (254 3770).

Chicago

Speed of Darkness (Goodman). The world premiere of Steve Tesich's domestic drama involves the reunion of Vietnam veterans and the havoc it wreaks on a successful South Dakota family. Ends May 20 (443 3800).
Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Kabuki-za Theatre (541 3131). The main work in the matinee programme (11am) is often known as the *Women's Chushingura*, because of its resemblance to the famous story of the vendetta of the 47 loyal samurai. One of the pieces in the evening programme at 4.30pm, *Sesshu Gappo ga Tsuji (Gappo and his daughter Tsuji)*, was banned as late as 1937 for its immorality.
Bunraku. National Theatre (265 7411). *Sugawara Denju Tenarai Kagami (The Secret of Sugawara's Calligraphy)* is one of the great 18th century masterpieces of Japan's sophisticated puppet theatre. The play is performed in two parts (at 11.30am and 4.30pm). Both kabuki and bunraku performances have earphone commentary and programme notes in English.
Hebei Opera from China. National Theatre (580 0031). Hebei Bangzhi Opera from Hebei Province is a combination of many local styles, and similar to Peking Opera. The company presents *Zhong Kui*, which is based on a fairy tale that has been popular in China for over a thousand years. Ends May 10.
The Cherry Orchard (in English). Ginza Saison Theatre (535 0555). Peter Brook's widely acclaimed production was first seen in Jean Claude Carriere's French translation in Paris and later in English in New York. The cast includes Brook's wife Natasha Parry as Ranevskaya, as well as Arthur Miller and Norman Mailer's daughters. A family show!

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest showing of the splendidly exotic Andrei Serban production of *Turandot* is conducted by Stephen Barlow. Peter Hall's celebrated Glyndebourne production of *Albert Herring* is borrowed for a first London showing.
English National Opera, Coliseum. Elijah Moshinsky's quirky production of *The Mastersingers* returns with its original conductor (Mark Elder). Hans Sachs (Gwynne Howell) and Beckmesser (Alan Opie); the cast also includes Alberto Remedios and Jane Eaglen. Further performances of the new, unsatisfying Graham Vick production of *Eugene Onegin*, with Jonathan Summers and Susan Bullock; and *Don Giovanni* in Jonathan dark, handsome staging, with Steven Page in the title role.

Paris

Chatelet. Francois Poulenc's *La Voix Humaine*, a one-act lyrical monologue by Jean Cocteau. Ensemble Orchestral de Parisis conducted by Serge Baudo in a new production by Alain Francon, the woman represented by Gwyneth Jones (40282828).

Rome

Teatro Dell'Opera. Mauro Bolognini's production of Francesco Cilea's *Adriana Lecouvreur*, with Raina Kabaivanska and Alberto Cupido (46.17.55).

Venice

Teatro la Fenice. Wagner's *Parsifal*, conducted by Giuseppe Sinopoli, with the choir of the Warsaw Philharmonic and the Piccoli Cantori Veneziani. (5210161).

Berlin

Opera: Theater des Westens. Leonard Bernstein's opera *Candide*, produced by John Dew will have its premiere this week. The cast includes Jane Gierting, Iris Vermillion, Patricia Johnson, Wolfgang Trautwein and Donal George. Cosi fan Tutte in Götz Friedrich's production features Eva Johansson, Mariana Cioromila, Carol Malone, Alan Titus and Gerd Feldhoff. *Rigoletto* has fine interpretations by Angela Denning (Gilda), Ingvar Wixell in the title role and Victor von Halem (Sparafucile).

Cologne

Opera. Cologne honours the great producer Jean-PerrePonnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. This week's performance includes *Don Giovanni* with Ferrucio Furlanetto in the title role, Carol Vaness, Ashley Putnam and Ulrich Hielscher. *Rigoletto* has a new cast led by Benito di Bella, Janice Hall and Juan Lloveras. The ballet *Nussknacker und Der Mausekönig* rounds off the week.

Frankfurt

Opera. *Fire* will have its premiere, danced to choreographyby Laura Dean, William Forsythe, Daniel Larrieu, Amanda Miller and to music by Laura Dean, Jean-Jacques Palix and Tom Willems. *La Bohème* returns with a star cast led by Fiamma Izzo d'Amico (Mimi), Maren Huffstodt (Musetta), Keith Olsen (Rodolfo).

Munich

Opera. *Fidelio* has a first rate cast led by Sabine Hass,Julie Kaufmann, James King and Claes H. Ahnsjoe. *Madame Butterfly* is sung by Keiko Kamegawa, Gudrun Wewezow and Eduardo Villa. *Tosca* features Natalia Troitskaya, Peter Dvorsky, Silvano Carroli.

Bonn

Opera. *Rhapsodie/Theseus* and *Ariadne* are both choreographed by Youri Vamos. Last performance of *Die Fledermaus*. *Tannhäuser* stars William Johns, Heinz Sotin, Gabriele Benackova, Nadine Denize and John Broecheler. Also a concert version of Bellini's *I Puritani*.

New York

American Ballet Theatre. *Bum's Rush*, *Everlast* and *Quartet*, three works Tywa Tharp created for the company and set to music by Dick Hyman, Jerome Kern and Terry Riley, highlight the second week, which also includes Clark Tippett's *Bruch Violin Concerto No. 1*. Classics revived in the week are *La Sylphide* and *Gaité Parisienne*. Lincoln Center Opera House (362 6000).

Amsterdam

Muziektheater Nederlands Dance Theatre celebrates its 30th anniversary with Symphony in D (Kylian/Haydn), Arenal (Duato) and Hans van Manen's new ballet, *Black Cake* (Fri, Sat, Sun). **Netherlands Opera** production of *Simone Boccanegra* by Verdi directed by Stephen Wadsworth. The Netherlands Philharmonic conducted by Graeme Jenkins, with Henk Smit in the title role and Charlotte Margiono as Amelia (Sun, Wed) (255 455).

MUSIC

London

Royal Philharmonic Orchestra, conducted by Andrew Litton, with Heinz Holliger (oboe). Weber, Mozart, Rachmaninov. Barbican Hall (Fri, Sat, Tue) (638 8891).
Hallé Orchestra condusted by Stanislaw Skrowaczewski. Webern, Prokofiev, Tchaikovsky. Royal Festival Hall (Sat) (928 8800).
London Symphony Orchestra, conducted by Nicholas Cleobury, with Pers Lane, piano, Rossini, Mozart, Grieg, Beethoven, Barbican Hall 8pm (Sat) (638 8891).

Paris

Marc Laforet, (piano). Chopin. (Tue) Salle Gaveau (45632030).
Radu Lupu, (piano). Bach, Mozart, Schubert. (Tue) Salle Pleyel(45638873).
Orchestre National de France, conducted by Georges Prêtre, with Oscar Shumsky (violin). Rimsky-Korsakov, Prokofiev, Dvorak. (Tue) Théâtre des Champs Elysées (47203637).
Choeur et Orchestre des Grandes Ecoles conducted by Benoit Girault. Beethoven (Wed) Salle Pleyel (45638873).
Irene Kudela, (piano), with Peter Keller (tenor), Marie Boyer (alto) and members of the Radio France Choir. Janacek (Wed) Radio France Studio 106 (42301516).

Cologne

Orchestra of the 18th Century conducted by Frans Brüggen with works by Jean-Philippe Rameau. Beethoven. Philharmonie. (Thurs).

Schwetzingen Festival

Schwetzingen Rococo Theatre presents a festival from April 29 to June 9 with a mixed programme of opera, chamber music and theatre. The Cologne Opera is represented by two Rossini operas in Michael Hampe's productions. Berlin commemorates the 125th anniversary of Richard Strauss' birthday with *Ariadne auf Naxos*, produced by Erhard Fischer. Other highlights are Lieder recitals by Lucia Popp, Rene Kollo, Eva Lind, Francisco Araiza and Tom Krause. The concerts feature Stuttgart's Radio Orchestra, Virtuosi Saxoniae, conducted by Ludwig Guettler, Württemberg Chamber Orchestra with conductor Jörg Faerber, Camerata Bern and Haydn's *Die Schöpfung* with Stuttgart's Radio Orchestra under Neville Marriner. Ballet performances and theatre activities round off an interesting programme. Schlossplatz, 683 Schwetzingen (06202/4933).

Rome

John Elwes, (tenor). Monteverdi, Riccio, Praetorius,Grandi, Cornetti and Merulo. (Wed) Teatro Olimpico (393304).

Amsterdam

The Orchestra conducted by Alexander Vakoulsky, with Victor Liverman (violin). Samama, Sibelius, Tchaikovsky (Sun).
Michail Schopper (bass) accompanied by Andreas Staier on the fortepiano. Schubert (Thur). Concertgebouw (718 345).
Netherlands Philharmonic Chamber Orchestra with Marieke Blankestijn (violin), Antoni Ros-Marba conducting. Haydn, Mozart, Hindemith (Fri).
Netherlands Philharmonic Chamber Orchestra under Hartmut Haenchen, with Maria-Joao Pires (piano). Beethoven (THur). Beurs (27 04 66).

New York

New York Philharmonic conducted by Zubin Mehta with Paul Tobias (cello), Peter Orth (piano) and Kyoko Takezawa (violin). Barber, Rachmaninov, Bartok. Avery Fisher Hall (Thur) (874 6770).

Washington

National Symphony Orchestra conducted by James Conlon with John Aler (tenor) and Barry Tuckwell (french horn). Shostakovich, Britten, Dvorak. Kennedy Center Concert Hall (Tue) (254 3776).
Fairfax Symphony Orchestra with the Paul Hill Chorale. Programme of great opera choruses. Kennedy Center Concert Hall (Wed). (254 3776).

EXHIBITIONS

London

The Royal Academy. The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented, trophies drawn from across the whole of Europe in the time of Sweden's abrupt emergence as a European power. Arms and armour, gold and silver: but most delightful, perhaps are the fabrics, most of all the complete and heavily brocaded caparisons that might be taken straight from the great equestrian state portraits of Velasquez. Daily until June 18; sponsored by Gambstaden.

Paris

Carte Musées et Monuments sold in museums and Metrostations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Over a thousand paintings, sculptures, engravings, objets d'art and everyday objects lent by 15 countries retrace the pre-revolutionary splendour of European courts and the aristocracy as opposed to the laborious life of the peasants. The fall of the Bastille, the symbol of the Revolution, is richly documented, as is the political influence of artists who, by representing the heroes of antiquity indirectly bestowed the Roman Republicanvirtues on an idealised contemporary reality. A visual representation of the Human Rights Declaration becomes a cornerstone of the revolutionary iconography. The exhibition ends with images of the seizure of power and restoration of an authoritarian regime. Closed Tue. Late opening night Wed. Ends June 26 (42895410).
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. What would the Louvre be without Rembrandt's Bethsabee, Goya's Marquise of Solana or without the odalisques in the Turkish Bath by Ingres? Without the Greco-Roman silverware from Boscoreale, the towering effigy of King Amenophis IV or Cressent's 18th century Commode with a monkey? Between the first gift – a 17th century Dutch genre scene A Dropsical Woman bestowed by a young officer in 1786 and the last offering – Saint Thomas by Georges de la Tour purchased thanks to a public subscription in 1988, 350 works chosen from among tens of thousands show the excellence and variety of donations which enriched the original royal collections. Even the Venus de Milo entered the Louvre as a gift, though she has not been moved for the exhibition. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid. Hall Napoleon, Niveau Accueil.
Musée Jacquemart-André. Russian historical costumes. Leningrad's Hermitage Museum has lent 300 exhibits from its treasure trove of historical costumes dating from 1700 to 1914. Richly embroidered court dresses, gold on red velvet or silver on silvery brocade vie with the gracefulness of French-inspired lines of a white muslin dress. There are uniforms, sacerdotal robes and servants' liveries, there is the exotica of peasants' colourful clothes. Some 50 portraits complete the exhibition; 158, Bld Haussmann, 12 noon-6.30pm; ends May 31.
Goethe Institut. Munich 1937 – l'Art Diffame, l'Art Acclame.Photographs, documents, reproductions and originals evoke theshock of the famous pre-war confrontation of two exhibitionsopposing the avant-garde artists who have since become thegreat names of modern art, considered as degenerate, and thetraditional German painters, all clean limbs and moral valuesin a brutal exercise of Nazi propaganda. 17 Ave d'Iena (47236121). Closed Sat, Sun. Ends June 15.
Centre Georges Pompidou. Yves Saint-Laurent: Fashion photographs. Ever since he launched the ideal of a dynamic, modern woman, the great couturier has been helped in his enterprise by top professionals who translated into images the dreams of exoticism and the seduction of cool, distant perfection. Ground floor, Galerie du Forum; closed Tue. Ends May 22 (42771233).
Musée des Arts Decoratifs. The intimate world of Alexander Calder, some 800 works, most of them gifts to family and friends and, as such, exhibited for the first time, show the inventiveness and sense of humour of the sculptor. Tins are turned into birds and twisted wire catches the likeness of a friend, while a miniature circus is created from bits and pieces in a riot of playfulness. Ends May 21. Closed Mon and Tue (42603214)

Amsterdam

Stedelijk Museum. The first major retrospective of the work of Kazimir Malevich combines loans from leading Soviet galleries with the famous holdings of the host museum. Ends May 28.
Van Gogh Museum. Prints, drawings and gouaches illuminate the work of Gauguin's followers who banded together under the name Les Nabis. Ends May 28.
Maastricht, Bonnefanten Museum. The finest of the early Italian paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

The Hague

Museon. The World of Anne Frank sets Anne's life in the context of her time with more than 500 photographs and a video show. Ends May 28.

Brussels

Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.
Archives Générales du Royaume. Witches in the Netherlands, 16-17 centuries (closed Monday).
De Jonckheere Gallery. Exhibition of works by Alechinsky, Brueghel, Magritte and Spilliaert. Ends May 27 (512 9948).
Galerie CGER. The Heritage of the French Revolution 1794-1814. Daily, ends June 11.

Frankfurt

"Je Suis le Cahier", the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. Ends May 28.
Schirn Kunsthalle und Kunstverein, Am Römerberg Prospect 89. Peter Weiermair director of Frankfurt's arts association has again chosen a wide variety of artists with around 80 painters and sculptors from 15 different countries for this year's Prospect 89. The gallery of the Schirn Museum, gives the visitor the opportunity to follow the artist's creative development. Among the artists are Thomas Gruenfeld, Heinrich Dunst, Peter Halley and well known Robert Mangold. Donald Judd, Ellsworth Kelly. This exhibition also includes some performance art based on the ideas of the artist Richard Artschwager. Kunstverein presents works with special themes with pictures by Frencesco Clemente, Leon Golub, Franz Wanner and Mike Kelley. Scott Burton, shows two stone seats, Ian Hamilton Finlay with 12 heavy stones under the title of "The present order is the disorder of the future" and Barbara Kruger is the exception with her photographs and picture text montages. Ends May 21.

Berlin

Fritz Koenig. 35 sculptures worked in iron, 70 script pictures and 80 drawings by the German artist Fritz Koenig, born in 1924 are exhibited until May 1. Akademie der Künste, Hanseatenweg 10.
Willi Baumeister (1889-1955). To commemorate the 100th anniversary of the German abstract artist's birth there are 140 works from all periods of his working life to be seen until May 28. Nationalgalerie, Potsdamer-Strasse 50.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art". This exhibition is in contrast to avantgarde: it explains areas of action and attempts to provide an unprejudiced outlook on the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show should give a detailed view of different art styles, with "old classics" of modern art next to works by contemporary artists. Among them are Gilbert and George, Kasimir Malewitsch, Blinky Palermo, Carl Andre, Edward Munch, Markus Luepertz, photographers Bernd and Hilla Becher, Joseph Beuys and Dadaist painter Marcel Duchamp, John Baldessari and Georg Baselitz. There are also works from William Copley's collection by Duchamp, Man Ray, Max Ernst and Rene Magritte. Ends July 2.

Vienna

Secession. Exhibitions by Johann Jascha, an Austrian artist and Cindy Sherman, the American photo artist. Both until May 28. The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary, the Benedictines collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15. The Kunstforum, a new art gallery run by the state-run Laenderbank, makes its debut with the Leopold collection, a Viennese who bought several paintings by Egon Schiele, one of the leading lights of Vienna's fin-de-siècle, for next-to-nothing in the 1950s. There are some wonderful Klimt sketches and Kokoschkas. Well worth catching. Ends June.

Rome

Accademia di Spagna. The Mirós of Miró: More than 100 works by Joan Miró, including ceramics, drawings and watercolours and oils, which had been kept in the artist's studio in Majorca until his death in 1983. Until June 4.
Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol,

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ARTS

Doctor Faustus

SWAN THEATRE, STRATFORD-UPON-AVON

The Royal Shakespeare Company can hardly be blamed for returning yet again to Marlowe's spiritual tragedy, but it is indicative of the current artistic disarray that Barry Kyle's revival is a timid convocation of outmoded experimental clichés wrapped up in the limiting Christian paraphernalia of a ceremonial Mass.

Again, the design goes against the grain of the galleried architecture. The doctor's study is a semi-cylindrical grey cell inserted in the glistening timber, with a staircase and a steely arc-like ladder to the stars. At least Ashley Martin-Davis is trying to envisage an intersection between the medieval and Renaissance worlds. But what goes on in the performance smacks of drama class exercises and ghastly fringe grope-ins of two decades ago.

Faustus's fellow students, an all male body with half-nude bodies, are a writhing mass of angels and devils, spirits and acolytes. They officiate cross-legged at the systematic rejection of the conventional sciences and disciplines, donning red satin cloaks for a prancing floor show and forming a mobile machine for the Seven Deadly Sins.

Pride pops up like a prow on a ship. Wrath hisses and jumps on the spot. Envy stands aside from a group of happy hummers. Gluttony rolls around like a drunken tar at the head of a stomping human snake and speaks in a bad French accent. When Helen of Troy appears to suck forth Faustus's soul, she is a bloke, and a very manly bloke, too.

I recall a production by Christopher Fettes that owed a great deal to Lindsay Kemp and dallied with a homo-erotic reading of the text. It worked very well. But here, Kyle's RSC chaps remain RSC chaps in a design vacuum.

Fettes' Faust was the youngish James Aubrey, and Gerard Murphy, another fine graduate of the Glasgow Citizens, is a good choice for the sensual experimentalist. He is brought a "wife" while Ilona Sekacz's mock ecclesiastical score provides a "Sanctus." He draws blood in the pact with the devil and collects it in a chalice. His offertory becomes a poisonous Collect. Blasphemous communion results in everlasting death. When the clock strikes, he ascends to the heavens but falls down a hatch to hell in a cruciform cage.

I applaud at least the director's attempt to match Marlowe's imagery of the over-reacher. But there is something continuously risible about this production. Its farcical gestures are trite and unfunny in those impossible interludes at Rome and at the court of the Duke of Vanholt.

Only David Shaw-Parker's granite-faced Pope hits the right note of blithe discomfiture. This year's Puck, Richard McCabe, cannot slot Wagner into the overall scheme beyond adopting a malevolent sneer.

Also missing is a damned symbiosis between Faust and Mephistopheles. The cadaverous David Bradley plays the latter, and scores some fine points of glacial, glancing comedy in his flat, expertly controlled delivery. But just as the play meditates on the blurred demarcations between science and magic, so it must surely explode in a conflagration of yearning and temptation. This was not the case in Stratford on Wednesday night.

I shall most remember not the general laceration of the lyric beauties of the verse, but Murphy's success in resenting his fate as the private dabbler who is suddenly in demand all over Europe.

Michael Coveney

Alastair Muir

Gerard Murphy, centre

1,000 Airplanes on the Roof

THEATRE ROYAL, GLASGOW

Commissioned, among others, by Berlin, Cultural City of Europe in 1988, this "science fiction music-drama" reached an eminent City of Culture on Wednesday for the rest of this week only, as part of Glasgow's Mayfest.

The piece is "realised" by David Henry Hwang, author of *M. Butterfly*: minimalist – on this showing miniscule – composer Philip Glass; and designer/projectionist Jerome Sirlin. The latter is the hero of the hour, or rather 90 minutes. He contributes the occasional frisson to this hallucinatory monologue for a young man visited and taken away by beings from another world. It sounds, in all senses, like a pretty bad trip.

The Philip Glass Ensemble, seven musicians in black shirts and slacks, play on stage. A central ramp leads to a higher platform. Gauzes and projections give us a sea of faces, clouds, patterns, trees and foliage. The curtains draw back to reveal a series of receding arches, in the best toy theatre scenery tradition, that add a wonderful sense of depth to the photographed stone facades. They also break up the skyscrapers of the New York cityscape and surrealistically fragment and bend the individual objects projected.

The visual side ranges from the soaring perspective of a block photographed from below to the kaleidoscope of shapes or evocation of textures, flinty, mottled or blistered, predominantly black and white, but with restrained use of colour. The piece itself is a melodrama – in the original sense of words spoken over music.

The hero, heroically played by Patrick O'Connell, a downtrodden employee of a copying shop, is a descendant of those madly fantasising clerks in Russian literature, but made uninteresting by American solemnity. On seeing a beehive, he reminisces, "the pain that followed seemed to relieve me of all my questions." After half-an-hour, he moves "outside time." After what is, to those of us less fortunate, 90 minutes, his extra-terrestrial travels have taught him to "understand why any one of us has the need to walk across the room." Me too.

Mr Glass, who in hard times has worked as a plumber, very competently, I believe, provides a familiar musical accompaniment: repetitive rhythmic phrases (he is not one to say something once when twice or 20 times will do), usually on keyboards, spasmodically overlaid by plaintive melodic themes (wind, synthesiser and soprano). The music is not unpleasant, merely shallow and forgettable.

The whole experience recalls much performance art, seen on a smaller scale at the ICA in London. The projections are good, though. This sterile and synthetic spectacle, originally performed in an aircraft hanger, is appropriately sponsored by the largest Trust House Forte hotel in Glasgow.

Martin Hoyle

Béjart extravaganza at the Grand Palais

Clement Crisp reviews '1789 . . . Et Nous' in Paris as part of the bicentennial celebrations

Amid the bicentennial celebrations of the French Revolution, who better to cope with the big dance statement about 1789 than Maurice Béjart? Béjart is not afraid of anything: not the Revolution, not Beethoven symphonies, not the size of the Grand Palais, not pollution, nor the third world, nor 50 Chinese on bicycles. Come one, come all, Béjart and his Lausanne Ballet will cram these into an extravaganza, like a man force-feeding a Strasbourg goose. The result is the preposterous and sprawling two-hours-without-an-interval show currently pulling in the Paris dance public to the Grand Palais, more usually the abode of exhibitions.

The performing space is magnificent, specially created beneath the central axis of the palace's roof. Temporary banks of seating for 4000 face the cavernous area formed by the curves of arches that rise from the double sweep of the *Escalier d'Honneur*. Below, the huge stage; above, the domed glass of the roof, with evening performances beginning at 9.30, so that as the light fades, the wild and improbable activities of *"1789 . . . et Nous"* can rush at us out of the dark.

The show – one can't call it anything else – is a typical Béjartian juggling of fact and fantasy, pretension and insight. The fascination for Béjart in drawing unflattering parallels between then and now, and, in what is a combination of tease and tract, showing the betrayal of the Revolution's ideals and the miserable decline in the human condition. Thus the references to the Third World, to Pollution, and the dedication of the evening to Robespierre – who features in a lustrously spoken impersonation by Jean Negroni. ("The Peoples of Europe know everything, except their Rights and their Duties.")

Declaring that the history of the Revolution is for children, Béjart brings on a horde of those unloveliest of God's creatures, infant performers, and involves them in a display of tricks and treats. Four incidents from 1789 mark the four sections of the evening, and Béjart being Béjart, movements from four Beethoven symphonies (numbers 1,7,8,and 9, of course), separate them, with the four elements, four continents, and Heaven knows what other examples of intellectual prestidigitation added in for good measure. This mixture of the banal (the dance element) and the boisterous, spills over the vast stage area but is controlled by Béjart's ebullient sense of theatre, and by brilliant lighting and flawless sound and mechanical effects.

We begin with pollution, dustbins and men in gasmasks, children's cries, and such figures from Béjartian mythology as his alter ego, Bim, a sprightly figure danced by Xavier Ferla, and Jorge Donn ferociously winsome as a red-nosed clown (Oh, for a Guillotine). Thereafter, the staging casts a wide and indiscriminate net. I can understand showing the arrival of Louis XVI and his Queen in Paris as tight-rope walkers – their historic return from Versailles no less precarious – and I accept the relevance of comments upon African slavery, and the wit of presenting the fine Cuban ballerina Loipa Araujo as a Guevara-style revolutionary. One might even acknowledge Béjart's right to bring in the Almighty Dollar by the scrag of its neck, with attendant chorines and the strains of "We're in the money." But the fifty Chinese on bicycles? Charlie Chaplin? The Indian dancer? And the horse? (This last showed a latent critical faculty when I saw the piece by collapsing on stage rather than going through its routine).

"1789 . . . et Nous" is, I suppose, irresistible in its bravado, and in its sardonic view of what the Revolution has meant – and not meant. Politics rarely makes good ballet – for all that the origins of our ballet lie in the "political" entertainments of the Renaissance – and my chief reproach is that the dance in this entertainment is thin stuff. There are heavy-handed ensembles that rely upon good intentions rather than good invention, and solos brashly made and brashly danced. Amid the flim-flam and spurious raptures of Béjartian style, one performance seemed to me to shine. The young danseur Goran Svalberg moved clean and precise, a classical artist amid a cohort of fakes.

The accompanying score, when not by Beethoven, is tastelessly by Hugues Le Bars. Costuming is by Michel Dussarat, who also performs as master of these ceremonies. And, whatever my despair at the dance, Béjart's ability to entertain and to involve us in his fantasies, makes for an evening that celebrates the Revolution with a wry humour and a good heart. And the Grand Palais setting is thrilling.

Caving In

SOHO POLY

Alastair Muir

Diane Bull

With her husband doing time for "stupid fraud," 38-year-old Maggie finds herself sitting on a biological time-bomb. To procreate or not to procreate? That is the question that has driven her into the arms of a kindly but unexciting schoolteacher, where we find her at the start of Ayshe Raif's new play. Her love for the jailed Jack is never in question, but neither is the blinding compulsion of a childless woman.

Both play and production start promisingly enough, with prison visits imaginatively entwined by director Claire Grove with scenes of domestic disharmony, as Diane Bull's touchingly tearful Maggie dithers over making her choice.

The introduction of an older prisoner's wife (the excellent Mona Bruce) sets her dilemma in its social context, and one notes the programme reference to the Prisoners' Wives and Families Society.

Raif has a good ear for dialogue, and her characters are solid and well-rounded, but she does not seem to know what to do with them, other than to engage them in increasingly anguished conversations.

Her play signally lacks any dramatic development. The only bit of plotting that is worked through on stage is Dave's discovery of a home-pregnancy tester, which alerts him to the facts of life. But even this does not turn the play around, since Dave is too nice to put his foot down. It merely confirms Maggie's progress towards a decision, which is belatedly and clumsily aborted by the revelation that she is infertile.

Her present agonies, we discover, are the tip of an iceberg that goes back to years of trying to conceive with Jack (so the chronology of their efforts does not ring true).

Bull and Phillip Joseph work well together as husband and wife helplessly watching themselves being driven apart. Joseph is particularly good as a man on a knife-edge of desperation whose eyes glisten with a wildness that is only momentarily allowed to break out.

These are the sort of close-up performances that – like the play itself – would quite simply have been better suited to television.

Claire Armitstead

Alastair Muir

The Mamu Players

Township Boy

ICA THEATRE

The theatre that has poured from the South African townships in the last few years has been passionate, rhythmic and too often much of a muchness. The prominence of anti-apartheid feeling on the political agenda has guaranteed it a strong and sympathetic audience, but what is good for a cause is not always good for its proponents. There is a very real danger of this most distinctive and committed of theatres being constrained by its own popularity and finding itself proscribed by the limits of radical chic, using familiar forms and structures to repeat familiar slogans.

This joint production by the Mamu Players and Johannesburg's Market Theatre shows signs of a tentative advance on both fronts. The cultural diversity of the company is underlined by a band which brings saxophone, guitars and flute into line with the familiar drumming, stomping and singing of township theatre. Likewise, the archetypes of oppression – martyred son, sorrowing mother and angry friends – are augmented by an Indian brought up by his father to fear "kaffirs" and a petty crook who narrowly escapes a necklace execution for stealing from the wrong place.

But while the play's author, John Moalusi Ladwaba, has the courage to refer to these representatives of internecine strife, he opts out of making them a focus of dramatic conflict. Both are "saved" by Shepherd, a poet revolutionary played by Ladwaba himself, whose funeral enfolds the show.

One senses a real inclination to break through to a new area of debate and expression and the first half promises well. A strong sense of comedy is interestingly focussed on the women, drawing a fine double act from Pretty Nomhle Tokwe, as Shepherd's mother, and Petunia Maboe, as his drunken aunt. The symbolic candle-flanked coffin gives a ritual resonance to the re-living of the dead man's life – from schoolboy romance to his murder, aged 22 – in the cortege of a friend's funeral.

But from the interval onwards, the development stops and the humour becomes a repetitive casing for an inevitable and formulaic trudge towards a hero's death. The story is based on the experience of a multi-racial mining community that was dismantled brick-by-brick, but there is little sense of place or of narrative conviction. The music, choreography and style of performance are as exuberant and infectious as they ever were, but they need to move on.

Claire Armitstead

ARTS GUIDE

May 12-18

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Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Ends Oct 2.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's "La grande jatte", and Renoir's "Madame Monet and Son". Ends Sept 4.

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends withtwo blown-up stills from films by Visconti and Rossellini. Ends Nov.

Turin

Mole Antonelliana. Carlo Mollino (1905-1973). His home town pays homage to this eccentric and eclectic architect and designer, much influenced by surrealists such as Cocteau and Man Ray, who waged a constant battle in the 1940s and 1950s against the reducing of modern design to empty conventionalism. on show are drawings, photographs, letters, and scale models of architectural projects, left by the artist to the city, as well as furniture and objects lent by private collectors. the exhibition transfers to the Beaubourg at the end of June. Ends June 11.

New York

Whitney Museum. The 65th in the long series of Annuals and Biennales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.

Washington

National Gallery. More than 160 objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. In addition illuminated manuscripts, ceramics and bronzes show off a collection that is considered "perhaps Britain's pre-eminent museum." Ends June 18.

Tokyo

National Museum. Screen Paintings of the Muromachi Period (1334-1573). The Muromachi Period corresponds to the Renaissance in Europe and much of its art was produced under the influence of Zen Buddhism and of Chinese ink painting of the Sung and Yuan dynasties. Landscape, birds and flowers are among the favourite subjects and this exhibition includes works by such masters of the genre as Sesshu and Kano Motonobu. Closed Mondays.

Riccar Museum. 120 years of Japanese Landscape. Ranging from traditional woodblock prints to oils, this small but representative exhibition traces the changing feelings towards landscape in Japan in the modern era.

National Museum of Western Art. Masterpieces from the Vatican. A somewhat random selection of paintings and sculptures, chosen to demonstrate the development of western art from ancient Greece to the Renaissance as well as to present the architecture of the Vatican itself. Closed Mondays.

Hara Museum, Kitashinagawa. Hara Annual IX. Recent works by ten young and upcoming Japanese artists: an opportunity to view trends and developments in contemporary Japanese art. The museum was renovated recently in anticipation of its tenth anniversary. Closed Mondays.

SALEROOM

Christie's record turn

On Wednesday it was Christie's turn to step up to the rostrum and sell works of art for mega prices. Its major Impressionist and modern picture sale in New York did not prove quite so sensational as that of Sotheby's 24 hours earlier (when a youthful self portrait by Picasso sold for \$47.8m (£27m), the second highest price ever paid for an object at auction), but over in Geneva it achieved an exceptionally high price of \$3.1m (£1.87m) for a Fabergé egg.

In all in New York it offered 93 first class Impressionist and modern paintings and sculptures and sold 86 of them for \$172.7m (£103.4m), a record for a Christie's sale. Forty seven lots made over \$1m. A feature of the evening was two one-owner collections, nine works acquired by the Hollywood film producer, the late Hal B. Wallis, of Casablanca fame, and 17 paintings collected by Daniel Searle of the Chicago pharmaceutical firm. They were both a complete sell out, the Wallis collection almost doubling its estimate at \$39.76m (£23.78m) and the Searle making \$34.27m (£20.5m).

The top price was the \$14.3m (£8.56m), double its estimate, paid for one of Monet's 19 views of the Houses of Parliament, which he painted from a room in St Thomas's Hospital around 1904. This shows them as a dark mass against a brilliant golden sunset, and was quite highly priced when new, selling for \$5,000 in 1905. Christie's sold it in London in 1971 for 85,000 guineas (\$215,000).

Another Hal Wallis painting, a mass of asters, one of Monet's rare still lifes, went nearer its forecast at \$9.35m (£5.5m) while a Degas pastel, showing a dancer taking a bow, was spot on target at \$6.6m (£3.9m). Top price from the Searle collection was the \$6.82m (£4m) paid for a Gauguin, "Ferme en Bretagne," which he painted in 1894 after his first visit to Tahiti. It sold, surprisingly, below forecast.

But another Searle set a new artist's record – \$5.94m(£3.5m) paid for a work painted in 1917 by Egon Schiele, the Viennese Successionist artist, shortly before he died. It shows the rooftops of a town and doubled its estimate. There were two more artists records among the Searle paintings, the \$4.62m (£2.76m) for an abstract Kandinsky (beating a high set by Sotheby's a day earlier) and \$1.6m (£955,000) for a work by one of his followers Franz Marc. Among the other artists to establish records during the evening were Berthe Morisot, Soutine and Vuillard.

The Fabergé egg was bought on behalf of a private American collector. Known as the "Pine Egg," its perfect condition ensured that it sold for well over its estimate.

Antony Thorncroft

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Friday May 12 1989

The City in second place

LONDON IS no longer the world's leading banking centre, at least as measured by its share of total international lending. Four years ago, the UK's share of the overall figure was more than twice as large as that of Japan: in 1988, according to the latest Bank of England Bulletin, Japan's share moved up to 21 per cent, just a fraction ahead of the UK. Is this a cause for hand-wringing – or for congratulation?

The pessimistic view is that the City has had two comparative advantages in its development as a financial centre and that both are now under threat. One has been the liberal approach of the UK authorities to regulation and tax, which played a crucial role in, for example, the development of the Eurocurrency market. The other has been the relative efficiency of its financial markets, especially when compared with its rivals in continental Europe.

But deregulation is levelling the playing field around the world, by leading to greater freedom of capital movement and by breaking down artificial barriers between different financial activities, such as the split between commercial and investment banking in the US and Japan which has helped to make London such an attractive offshore centre for banks from these countries. At the same time, other European centres have been updating their organisations and systems at a time when London has been making slow progress in important areas like clearance and settlement.

Prudential controls

Finally, the Bank of England has for some years been more concerned with the need to establish prudential controls in a much more risky financial environment than with making life more comfortable for the Third National Bank of Boot Hill. The cliché about it having a light hand on the tiller is well and truly out of date.

Studied in this context, however, the latest figures do not make such gloomy reading. The explanation for the fall in London's market share appears to be just about entirely a result of banks cutting back on their low margin interbank business. The Basle proposals for international convergence on capital adequacy were always likely to lead banks to concentrate more on profitability than growth. If London-based institutions are becoming less preoccupied with league table positionsand more concerned about making money, so much the better.

Japanese banks have found it relatively easy to boost their capital ratios to meet the Basle formula and their market share has been further boosted by the rapid expansion of Tokyo's own "offshore" market in the last three years. However, the City's overall position remains strong.

Rapid growth

For a start, it continues to have much the biggest share of foreign currency lending to non-residents, which in turn is the biggest component of international lending. In addition, banks from other countries in the European Community are actively expanding their business there: indeed they represent the most rapidly growing part of the London market in the past two years. The UK's share of international banking business remains twice as large as that of France and West Germany combined.

London also shows up well as a centre for financial innovation. Banks in the UK played a big part in the rapid expansion of Ecu lending through most of last year and the UK Government's introduction of Ecu Treasury bills last autumn should help to create a liquid short-term market in this paper. The City also has a big share in off-balance sheet banking business, which has been growing rapidly in recent years and which does not show up in the official figures.

A declining share of the total available market seems just about inevitable: what matters for the UK is that London consolidates its position as the financial centre for Europe. This will require a more determined effort to make the City's trading systems as competitive as possible, as well as an expansive role in the development of an open and well regulated structure for Europe's financial markets. It would not hurt, either, if the UK started to play a more positive role in the development of European monetary policy.

Antipodean blood sports

THE BEST spectator sport "down under" – and the only blood sport – is generally acknowledged to be politics. The season is in full swing in both Australia and New Zealand. Plots have been hatched and heads started rolling this week; government and opposition factions in both countries are now badly split.

There is a serious side to the spectacle. Both Australia and New Zealand have labour governments which have abandoned socialist dogma and instituted free-market economic reforms. Both experiments are in trouble and, as the electorate knows it, there is a danger that political expediency could over-rule economic necessity.

The main political event in Australia has been within the opposition, where both party leaders in the coalition were deposed. Mr John Howard, leader of the Liberal Party, was replaced by Mr Andrew Peacock – himself overthrown as leader by Mr Howard in 1985.

On the same day this week, the National Party, the Liberals' minority partner, also voted to remove its leader, Mr Ian Sinclair, in favour of Mr Charles Blunt, who is younger, dynamic but largely untested.

Hawke's difficulties

These changes almost certainly rule out an early general election. Mr Bob Hawke, the Labor Prime Minister, must go to the polls before the middle of next year. With his Government jaded and the economy in the sort of trouble that cannot be dealt with quickly – rising inflation, interest rates at 17 per cent and a ballooning deficit on the current account – Mr Hawke was anxious to call an election just as soon as he thought he could win. Later this year looked likely, after the wage rises and tax cuts negotiated with the trade unions were safely in voters' pockets. Although the Government's opinion poll ratings have fallen, Mr Hawke's personal popularity has remained buoyant and, crucially, both Mr Howard and his Liberal Party consistently failed to make any impact on the polls.

The return of Mr Peacock poses two problems for Mr Hawke. First, Mr Peacock is regarded by the electorate as charismatic: he looks and sounds good on television. Second, his policies are less strident than Mr Howard's and, as both parties are battling for the same bit of centre ground, Liberal policies may now look remarkably similar to Mr Hawke's.

Bipartisan approach

Mr Peacock has already indicated his intention to adopt a bipartisan approach to the delicate subject of immigration and urge a gentler approach than Mr Howard to labour-market reform and privatisation. So the plan seems to be to dance to the same tune as Labor, but more elegantly. Mr Hawke and his team will, therefore, have to delay the election and concentrate on trying to trip the Liberals up, but Mr Peacock is pretty nimble at the political two-step.

Mr Hawke has another difficulty: his parliamentary party is in some turmoil as several members threaten to quit the centre-left faction which has given the Government stability since it was elected in 1983.

Doubts about Lange

The New Zealanders are not to be out-done. The opposition there appears close to paralysis despite widening rifts in the ruling Labour Party. There are serious doubts over Mr David Lange's future as Prime Minister as factions supporting both Mr Roger Douglas, the former Finance Minister, and Mr Geoffrey Palmer, the deputy Prime Minister, ponder the collapsing fortunes of both Government and leader in the opinion polls. Again, the economy is at the root of the difficulties although there are signs that it may have turned the corner out of recession. Failing public confidence has not been assisted by some maladroit Lange politics at home and abroad.

The major parties in both countries are all temporarily off-balance on the direction of economic policy. It would be a pity if political uncertainty endangered the process of economic liberalisation which has been achieved in both under labour and is still far from complete.

Kevin Done opens a series on the changing role of Japan and its car makers in the global market

Car wars after the yen shock

To the alarm of their competitors, Japan's car makers appear to have suffered little more than a minor dent in their fortunes from the appreciation of the yen that has occurred in the wake of the September 1985 Plaza Accord to depress the value of the dollar.

The austerity programme imposed by Japanese vehicle makers – a process described by some in the industry as "squeezing water out of a dry rag" – has enabled the industry to make startling productivity gains, matching anything achieved in North America or West Europe in the second half of the 1980s.

Mr Yutaka Kume, president of Nissan, Japan's second largest vehicle maker, claims that labour productivity at its Japanese plants has jumped by 45 per cent in the three years since 1985.

According to a leading Tokyo financial analyst, exports from Japan are still more profitable than Japanese production from overseas, despite an almost 80 per cent revaluation of the yen against the US dollar in the last three-and-a-half years. (The average yen/US dollar exchange rate was Y239.5/$1.00 in September 1985 against Y134.4/$1.00 now.)

While the Japanese industry has moved with breathtaking speed to adjust to the initial yen shock to its export business, it has also discovered that substantial additional profits can be made in the domestic market.

Nursed along by a solicitous government, the Japanese domestic car market is booming. Supported by strongly rising disposable incomes and the increasing importance of leisure in Japanese lifestyles, record new car demand has now been further boosted by a far-reaching reform of the car taxation system implemented at the beginning of April. This has reduced new car prices and in particular has stimulated sales of large cars by removing discriminatory tax rates.

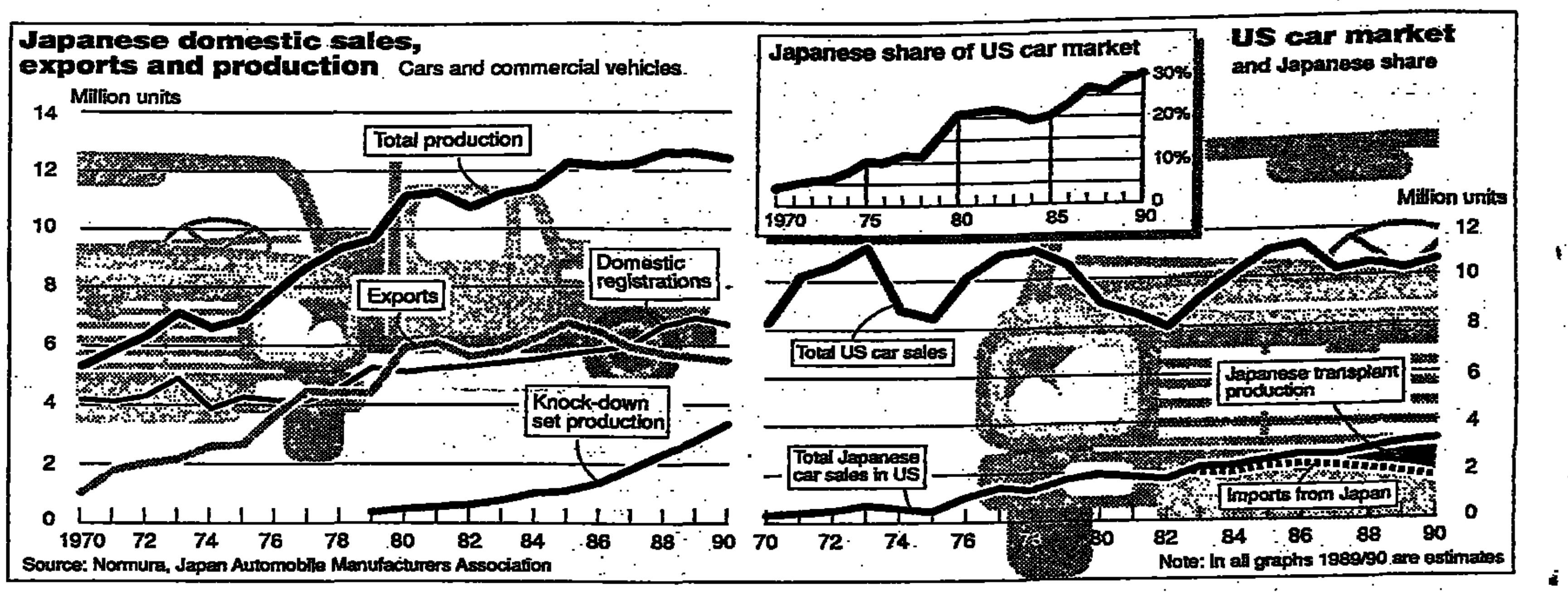
Last year was a milestone as Japanese domestic vehicle sales exceeded exports for the first time in eight years. New vehicle registrations (excluding mini-vehicles) jumped by 14.5 per cent to 4.97m units. In the present fiscal year forecasts suggest a further jump of 10-11 per cent in new car registrations.

Despite a 3.2 per cent fall in vehicle exports to 6.1m in 1988, total domestic production still rose by 3.7 per cent to 12.7m.

Japanese car makers are placing a much greater emphasis on the domestic market by investing heavily in revamping their dealer networks and in speeding up the flow of new products to the market. At the same time they are pursuing a determined up-market strategy, which is taking them into new and much more lucrative market segments.

The Japanese market has been hit by the so-called "Cima phenomenon," a reference to the wide-bodied, three litre V6 luxury saloon launched just over a year ago by Nissan, which has enjoyed outstanding success despite a selling price of Y5-6m (£22-27,000) and which has lifted cars produced in Japan into the pricing stratosphere previously occupied only by exclusive cars imported from Europe.

The structure of Japanese car makers' profits has changed greatly with the switch of market focus. According to one leading Japanese automotive industry analyst, exports generated as much as 73 per cent of Toyota parent company operating income in the 1985 fiscal year with only 20 per cent coming from domestic sales. In 1986, as



export earnings began to plunge under the impact of the rising yen, domestic operating income surpassed that of exports for the first time since the 1960s. In the 1988 fiscal year some 73 per cent of operating income came from the domestic market.

In the 1989 financial year operating income at Toyota and Honda is still only likely to be at 80-90 per cent of the previous peak level, while operating earnings at Nissan and Mazda are forecast to reach 60-70 per cent of earlier record earnings, but at all the car makers the path to financial recovery is firmly established.

The surge of interest in larger cars and increasing affluence that is so clearly benefiting the domestic car makers is also providing a big boost to the market for imported cars.

Imports are of course starting from a small base, but sales of imported cars in Japan are now rising very rapidly. Backed by the official blessing of the Government, imported car sales rose by 36.7 per cent last year to 133,583 or 3.7 per cent of the market, following a jump of of 43 per cent in 1987 and 36.2 per cent in 1986.

With the elimination of the discriminatory tax rates on large cars and the removal of discriminatory insurance premiums for imported cars, most foreign car makers operating in Japan now claim that all the non-tariff barriers to selling imported cars in the Japanese market have finally been removed. Imports as diverse as BMW's luxury 7-Series and Rover Group's 30-year-old Mini, are enjoying unprecedented popularity.

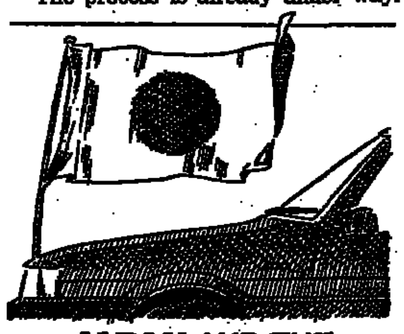
"The future is looking extremely bright," Mr Luder Paysen, until last month president of BMW Japan, said recently. "Foreign makers by 1995 will probably have a market share of 10 per cent or 400,000 vehicles. This is still not impressive if you look at imported car markets in Western car-producing countries, but it is a substantial improvement over the mere 1.2 per cent share we held in 1981."

If the importers' optimism proves well-founded, it will also undercut one of the grounds most often cited in West Europe for continuing to limit Japanese car imports into Europe. It is the Europeans who are taking the lion's share of the Japanese import market, and if their share rises close to 10 per cent, this will compare favourably with the present Japanese share of the European Community car market of around 9.5 per cent.

While the Japanese car makers achieve success in cutting costs and regaining profitability at home, this will not stop the inexorable increase in Japanese overseas production capacity, however.

Having recovered from the first yen shock Japanese car makers are still anxious to reduce their vulnerability to future exchange rate fluctuations. The build-up of foreign production capacity will also give Japanese vehicle makers an enviable flexibility in supplying the three leading car-buying regions of the world, North America, West Europe and Japan from the most profitable location.

The process is already under way.



JAPAN AND THE WORLD CAR MARKET

Toyota is shipping cars from the US to Taiwan, Honda, is already the biggest car exporter from the US to Japan, and Honda is planning to begin car exports from the US to Europe next year.

At the same time the ever present threat of trade barriers continues to make the establishment of so-called transplant assembly capacity abroad – chiefly in North America and increasingly in West Europe – an attractive proposition.

It will hardly be welcome news in Washington, but motor industry analysts in Tokyo are now convinced that the success of Japanese car makers in dealing with the appreciation of the yen, means that there is little prospect of cutting the huge US trade deficit with Japan.

The automotive sector alone accounts for around half the Japanese trade surplus with the US. "The problem is not semi-conductors," says a leading Japanese financial analyst, "it is the auto industry. The break-even point for car exports is now Y105 to the dollar, five years ago it was perhaps Y160-170. Two years from now perhaps it will be Y95."

"With improvements in productivity, rationalisation, cost cutting, cheaper raw materials and as the industry changes to producing more and more expensive cars, the break-even point is continuously lowered."

Inevitably there will be some reduction in the volume of car exports to the US as local production rises. What fall there is in exports is likely to be more than compensated for by the big switch being made by Japanese car makers from quantity to quality as they seek to penetrate the final bastions of the world luxury car market.

"In volume exports will not fall so much, but in value they will rise significantly," says a Tokyo analyst.

The peak of Japanese car export volumes may have passed – total motor vehicle exports have declined in each of the last three years from a peak of 6.73m in 1985 to 6.10m in 1988, while car exports alone have fallen from the peak of 4.57m in 1986 to 4.43m in 1988 – but it is thought unlikely in Tokyo that exports will fall sharply.

Nissan, the number two Japanese car maker for example, is currently building towards a car production capacity in Europe of 200,000 cars a year by 1992 at its UK assembly plant, but according to Mr Yoshikazu Kawana, Nissan Motor main board director and head of the Europe Sales Group, "We would like to maintain the present level of exports and add local production on top."

In Europe Nissan now has the stated ambition of creating a local production capacity for 400,000 cars a year by the late 1990s, while Toyota is also a 200,000 cars a year capacity for the mid-1990s. Honda has a production arrangement with Rover Group for 40,000 cars a year by 1990, and the establishment of additional capacity by other Japanese car makers in Europe appears inevitable, most probably through joint ventures.

In the US the process is much more advanced. Japanese vehicle production in the US was already of the order of 1m units last year, comprising approximately 870,000 cars and 130,000 light trucks (mainly pickups). By 1992 there is expected to be a capacity of 2.2m units, which could give a production output of around 1.8m units assuming an 80-90 per cent capacity utilisation rate.

The US market is the main battleground for Japanese makers' overseas operations, and their share of the US market - based on both direct imports and local production in the US - is expected by Tokyo analysts to rise from some 27 per cent last year to 32-33 per cent during the first half of the 1990s. A share of more than one third is considered to be politically unacceptable.

According to a recent report from Nomura, the leading Japanese securities house, the transplants are strategically invaluable for the Japanese industry. "US assembly plants are now key outposts from which Japanese makers are battling the Big Three, General Motors, Ford and Chrysler. They will be instrumental as makers launch their attack on the high-end segment. Exports to the US remain high, but are still a precarious means of penetrating the overseas market."

Although the Japanese car makers have taken a significant slice of the compact and subcompact car market in the US, the yields on small cars have been steadily diminishing. As a result the strategy has changed and increasingly the Japanese producers are now moving up market.

The most remarkable manifestation of this switch will come in the late autumn when Toyota and Nissan begin sales of their all-new Lexus and Infiniti luxury car lines in the US.

Nomura argues that the Japanese car makers' sights are now set on "the medium to high-end segment where the big money is. Also they are less concerned with quantity and more concerned with quality.

"Up until now their penetration at the low end of the market has amounted to a mere skirmish with the local competition. But as they encroach on the prime earnings-generating segment of the Big Three, the situation will approach a full-scale car war."

At the very top luxury end of the US car market, it is the European prestige car producers such as BMW, Mercedes-Benz and Jaguar that could feel most of the heat of the new competition. "With the Japanese foray into the high-end market we should see American, European and Japanese makers fighting it out like never before," says Nomura.

Further articles will appear next week on the management page.

Mouldy cheese

■ It is not fashionable in the decade of Thatcher and Reagan to claim that government can be good for you. But it surely is curious that the better-run countries – Japan, for example, or France after lunch – are conspicuous for possessing quality civil services. Most of us are not so lucky.

Italy, of course, has survived and well, in spite of its system. However, in a worrying development, officials, not content with having sunk their collective teeth into most aspects of life and business, have now started chewing over Italian cheese. The production of both parmesan and mozzarella may never recover.

"Parmigiano Reggiano," to give it the correct title, is produced mostly in the fertile valley that lies 100kms south of Milan and encompasses the competing cheese (and prosciutto) towns of Parma and Reggio Emilia. The residents of these two towns both compete and despise each other. The Parmigiani maintain that real cheese comes from Parma and call the Reggiani "square heads" (apparently because they do not have a local university) while the latter, suffering from an inferiority complex and with a less well developed vocabulary, consider the Parmigiani snobs.

This healthy rivalry could have continued happily forever, until the bureaucracy, pursuing the inevitable cause of homogeneity, intervened. The new parmesan guidelines, drafted by a zoology professor wondrously called Dr Mordenti (in English, Dr Biting), lays down strict rules on the kind of feedstocks that may be fed to cows whose milk is processed into parmesan – and this is the crunch – regardless of whether the animals be from Parma or Reggio Emilia.

But it is the mozzarella edict – Latin listeria at its worst – that really curdles the mind. It confirms that the soft white cheese may be sold in plastic bags that are filled with holes and seems to quash the concerns of some cheese-loving magistrates who have been investigating whether mozzarella should be sold in hermetically sealed bags instead.

Worse still is the ultimate in bureaucratese by which the order is justified. Italian is a lovely language but it is hard to see how even it could have rendered gracefully "the problems posed by any possible contamination of mozzarella must be resolved by adequate commercial controls and the relative modalities of selling the cheese on the part of the competent organs."

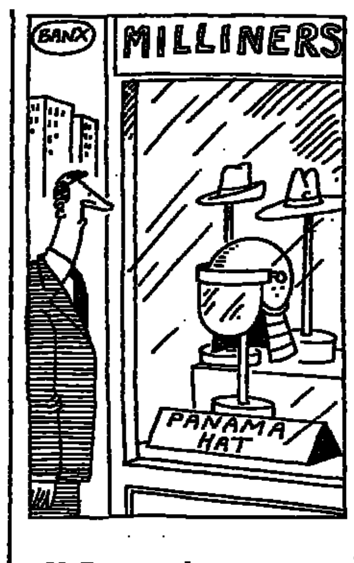
And do not think it is only cheese at stake. Yesterday in Modena they ordered the slaughtering of 30,000 pigs because of a swine fever outbreak. Better stock up on salami now.

Big sushi

■ In the US, there has long been a well-oiled revolving door between the public and private sectors. Diplomatic correspondents from the New York Times frequently whizz round it but few have seen the creative opportunities so clearly as Charles Z Wick, who used to head the US Information Agency. Having set up a mini-international TV network (Worldnet) to pass on the word of government, he is now vigorously marketing those who used to run the show at a loss to those with budgetary surpluses.

The beneficiary of all this is Ronald Reagan, no less. The Japanese Fujisankei corporation, the information services group, has hired the former president to act as a master of ceremonies for 10 days of festivities in Tokyo aimed at improving US-Japanese relations. The fee is reported to be about $2m.

OBSERVER



Mr Reagan, who can command up to $50,000 a hour for speeches at home, has been earning freely since his retirement in January. Mr Wick, now, as before, Mr Reagan's agent, describes the Japanese contract as "an attractive visit and an attractive honorarium." It certainly makes his presidential pension of $86,200 a year seem peanuts, which does not, of course, account for the presence of Jimmy Carter, who used to grow them, in Panama, since it is at present neither attractive nor the sort of place where honoraria can decently be earned.

Chocolate fudge

■ On the other hand, in no country do doors revolve so slowly as in Switzerland. Thus it comes as something of a surprise to discover that Andrew Large, well-known in banking circles as one of the few foreigners ever to get on the board of a Swiss bank, is planning to leave when his current contract with the Swiss Banking Corporation runs out next year.

The question is, inevitably, whether he was pushed out, thus proving that foreigners can never win full acceptance in the closed and clubbish world of Swiss banking. Large was adamant yesterday that that was not the case. "I have been taken into all the things that are going on there."

As an executive board member, he has been in charge of SBC's capital markets and brokerage businesses. This has been tough going, particularly in London where SBC lost sizeable sums of money in the last two years, though as Large points out SBC is not unique in that respect.

Before being appointed to SBC's board last year, Large was in charge of its London capital capital markets operation. He was also for a while chairman of the Securities Association. He has not yet quite decided what he will do when he leaves, but he will probably set up a financial institution with some friends. "But I won't be going to a competitor of SBC," he says. He might give Charles Z Wick a call.

Fishy tale

■ A reader recalls that two years ago Mrs Thatcher did take her cabinet out for a meal at Wilton's, the well known fish emporium. He goes on: "I believe the story is still remembered today not so much for the vegetable/cabinet side of it. . . . but for Mrs Thatcher's wisdom of ordering steak in Wilton's of all places.

Fortune cookie

■ Mao was once asked if he thought it would have made any difference if Khruschev, not Kennedy, had been assassinated. "I do not think," he gasped, "that Aristotle Onassis would have married Mrs Khruschev."

Jurek Martin

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POLITICS TODAY

Why Labour is so excited

By Joe Rogaly

This has been a big week for Britain's Labour Party. Its excitement is understandable, but it would do well to avoid the delusion that, even today, it is poised to win the next general election. Succumbing to self-delusion will ensure that it loses. If it keeps a cold grip on reality it just may come to stand a slim chance of achieving what would be the political miracle of the century.

The story begins with the cause of all the excitement. It is without qualification momentous stuff. The party's National Executive has approved a set of policy proposals that could bring Labour into line with the great social democratic parties of the rest of Western Europe.

I say "could" because this is the Labour Party we are talking about. Accidents will probably happen. The new policies will be voted on by the annual conference in October, which gives the Left nearly six months in which to campaign hard against some of them. Meanwhile there will be a great deal of criticism of the details, not least by the Tories. Labour should not underestimate the skill of the Conservatives, whose principal purpose will be to devalue the efforts of Mr Neil Kinnock, the party leader.

Yet the present expectation is that Mr Kinnock's social democratic programme will get through the party conference. It may do even better than that: it may get through to the accompaniment of a number of headline-grabbing rows with Mr Ron Todd, general secretary of the Transport and General Workers Union, Mr Ken Livingstone, the all-occasions MP of the outrageous Left, and other prominent vote-repelling members of the Labour "movement."

Every such row will, from Mr Kinnock's point of view, constitute a blessing — provided, of course, that he emerges victorious. His stature always increases on such occasions. The more often the silly, or hard, or socialist or even soft Left is shown to be vanquished, the greater the chance that the opinion polls will begin to indicate a Labour lead over the Conservatives. That would enhance Mr Kinnock's reputation, which admittedly needs a lot of enhancement.

Thus bolstered, the Labour leader would be well placed to write virtually his own manifesto for the 1991 or 1992 general election. He would have to be careful. Where, as on defence, there is currently fudge, fudge may remain — or, worse, the necessary clarifications may be in the wrong direction. Yet the opportunity is there.

The "new Labour" manifesto could be as social democratic and even centrist as Mr Kinnock chooses to make it, with pencil in one hand and poll data in the other. For the voluminous documents that make up this week's policy review do not constitute an election platform. Clause 5 of the party's constitution obliges the Shadow Cabinet and the National Executive, sitting jointly, to produce the prospectus that will be put before the voters. It is a pity that the National Executive is involved, since it brings trade union leaders into the centre of the process once more, but this need not make much immediate difference if Mr Kinnock retains his hold over the "Clause 5 committee's" voting.

The upshot is that the policy review documents, if approved in October, will amount to a large bran-tub of electioneering ideas. Provided that Mr Kinnock can show that he has dipped into this tub in order to produce his manifesto, he should be able to hold the party together, more or less, behind a non-socialist programme. It could turn out to be a manifesto that could win the approval of the Social and Liberal Democrats, the Social Democratic Party (Owen faction) and, secretly, even many on the Tory left. Then his only remaining problem would be to convince the voters that the newly-reformed Labour Party meant what it was currently saying.

This may turn out to be difficult. Whenever a party reforms its policies it lays itself open to the charge of inconsistency. Yet the Conservative Party has stood for just about everything you can think of during this century, and gotten away with it. Anyhow, on this particular occasion the charge of trimming is unfair, if applied to the policy review as a whole. The Kinnockites can reasonly argue that they are simply responding to the wishes of the electorate, just as the Tories did when they accepted the Welfare State following Labour's decisive victory in 1945.

For three elections in a row the voters have indicated that they do not want the state to own leading industries. Now Labour is talking of buying back control over British Telecom and the future water companies, but little more than that. Its interventionism will thereafter take the form of the regulation of public utilities, the establishment of state organisations like a "British Investment Bank," and a beefed-up Department of Trade and Industry. These plans may be unwise but they hardly constitute 1970's-style socialism.

Defence is another matter. Here the objection is not so much that Labour is selling out its principles as that the party is talking to itself. As Mr Todd and Ms Joan Ruddock, the former chair of the Campaign for Nuclear Disarmament, have both pointed out, there is more logic in a straight unilateral approach than in the tortured policy review statement that retains the Trident missile system (or three of the proposed four of them) but says there shall be no first use of nuclear weapons. Yet the statement on defence has little to do with defence. It is, as Ms Ruddock has pointed out, a document produced in order to make the party electorally more acceptable.

In this it may be more successful than it deserves to be. For it is just possible that the blandishments of Mr Gorbachev will make British voters less anxious for their Government to be in control of an independent nuclear arsenal. The Russian leader has moved West Germans of all parties several notches in a pacifist direction, as has become clear to me in visits to Bonn and Berlin over the past few weeks. By some accounts the polls are showing a movement against high defence expenditure in the US, also as a result of Gorbymania. Mr Kinnock has removed the fatal label "unilateralist" from around the party's neck, which, in personal and organisational terms, is a major achievement. He must aim to improve on that when bran-tub time comes, at the least by letting it be known that he would press the nuclear button in certain circumstances, and at best by forgetting about that no first use nonsense.

Industrial relations policy is more awkward. Most of the trade unions are resigned to a continuation of the essence of the laws passed during the past ten years, although they want a little rolling back of some of them. The policy document goes along with that, but the interpretation placed on it by Mr Michael Meacher, the chairman of the relevant working party, returns more power to the unions than they themselves have thought it politic to seek. This has infuriated the Kinnockites, who regard Mr Meacher as an unguided missile who is arousing what they see as unjustified fears that there would be no final redress against unions that persisted with illegal strikes. I have no doubt that the Labour leader will ignore Mr Meacher's pronouncements when he draws up a manifesto.

For the rest, the tub is full of interesting, un-Thatcherite propositions. The top rate of tax on income would be 59 per cent. (Would there be an investment income surcharge on top?). The House of Lords would be replaced by an elected senate. There would be regional assemblies for Scotland, England and Wales. A national broad-band fibre optic communications network is proposed. Private schools would lose their charitable status. State pensions would once again be linked to the higher of the prices and earnings indices. Bodies to serve the interests of the consumer, the environment, and women would be set up. Nuclear power would be phased out. And so on.

If as a result of the policy review Labour comes to be regarded as a serious contender for power some of these and other similar proposals will presumably be debated on their merits over the next two years.

It will all come to nothing, unless Labour can persuade people that it really is a modernised party. The hard reality is that in the south-east, where most of the constituencies that have to be won are to be found, persuasion will be difficult. It is in the south-east in particular that a 59 per cent top rate of tax will seem off-putting. If the south-east was on the European mainland, Christian Democrats would prevail and Social Democrats would struggle. The suspicion that Labour is merely a tool of the trade union leaders is at its strongest here.

Mr Kinnock is aware of all this. He is also anxious to reduce the power of trade unions within the party constitution — but not at the cost of an immediate, violent, row and certainly not at the cost of losing union financial support. He should take courage. Thanks in part to his own behind-the-scenes efforts, the half-dozen most important union bosses would all favour some reduction of their bloc vote at the party conference; he should be bold and propose, this very October, that it be abolished. That would do more to restore Labour's credibility than any other single act the party's leader might undertake.

He also needs a focus. The public probably knows by now that Labour has, sort-of, abandoned unilateralism. But what is it for? It could be a whole-hearted Europeanism; it could be a more convincing save-the-world approach than the Prime Minister's; it could seek country votes in Conservative shires by attacking Mr Nicholas Ridley's lax attitude to planning controls; it could stress a determination to reduce public squalor. In short, it could become the party of a kinder, gentler approach to using the fruits of the market economy. The Tories are so entrenched that it would be cruelly misleading to say that that would bring about a Labour victory. But it would do a whole lot better than any other selection from the bran tub.

The right way to join the EMS

By Giles Keating

THE CONFLICT between domestic monetary indicators and the exchange rate has caused confusion in UK policy-making throughout the 1980s and lies at the heart of the economic debate over the merits of joining the exchange rate mechanism of the European Monetary System. Yet such conflict has generally been illusory. For example the current fragility of the exchange rate appears to contradict the slowing of M0 growth to within its target band, but M0 has returned to its band only because the target was not adjusted down to offset last year's overshoot. Allowing for this, both M0 and the exchange rate suggest that monetary policy is barely tight enough.

There was a similar apparent contradiction between early 1987 and late 1988, when the exchange rate rose steeply while monetary growth accelerated. Given the overheating in 1988, hindsight suggests that the monetary indicators were right and the exchange rate misleading. However, this is to concentrate on changes in the exchange rate and to ignore its level. Mr Nigel Lawson may have believed at the time that a sterling rate of just below DM 3 (90 on the effective rate index) was appropriate, but objective evidence points to a higher rate.

OECD estimates of purchasing power parity exchange rates in 1980, adjusted to include only traded goods and updated for changes in the prices of those goods, suggest a rate of around DM 3.25 (95 on the effective index). Moreover, UK profitability was at an unsustainably low level in 1980 and has since risen faster than elsewhere, giving UK producers the opportunity to improve non-price competitiveness and justifying a higher level for sterling. This is supported by anecdotal evidence, such as comments this April from Bosch that unit labour costs at its new Welsh plant would be some 15 per cent to 20 per cent below those in Germany.

Mistaken views about the level of the exchange rate or money supply can lead to apparent contradictions between these two indicators. In the absence of such mistakes, the exchange rate and domestic monetary aggregates will generally tell the same story, except when there is a shock to domestic money demand (as occurred following deregulation of credit at the start of the 1980s) or a shock that impacts the UK differently from other countries (for example the oil price collapse in 1985-86, which necessitated a fall in the UK real exchange rate, though not to the extent Mr Lawson thought). Such shocks are less likely to cause confusion in the 1990s than in the 1980s. The process of financial deregulation has now largely run its course and oil is far less important to the UK.

Economic arguments against joining the EMS are now few, but only if the correct level is chosen. The choice of level is particularly important given one of the key arguments against membership, advanced by Sir Alan Walters. He argues that by increasing the attractiveness of sterling to foreign investors, membership would put the UK currency under upward pressure. He is concerned that this would rapidly bring sterling against its upper limit within the EMS, forcing the UK to cut interest rates more than was justified by domestic conditions and thus ultimately worsening UK inflation.

This is a real danger if sterling enters at too low a rate, but the problem can be reduced or eliminated by setting a central rate for sterling as far above the current market rate as possible. For example, at the time of writing, the sterling-D-Mark spot rate is around 3.18. If the central EMS parity was set 2.25 per cent higher, at 3.25, sterling could appreciate to above 3.30 before it became necessary to cut interest rates to keep the UK currency within its EMS band.

If a cut were necessary, it should be possible to keep it small because one-year sterling rates are currently only some 5.5 per cent above comparable D-Mark rates, and the standard EMS band width is 4.5 per cent. The expansionary monetary effect would be balanced by the exchange rate appreciation that would have occurred. Nor would such a currency appreciation be adverse. It would still leave sterling slightly undervalued on the cost comparisons advanced above and would exert further downward pressure on inflation.

The author is chief economist of Credit Suisse First Boston.

LETTERS

Down at the Docks

From The Director, The National Association of Port Employees.

Sir, Bill Morris of the Transport & General Workers Union (Letters, May 8) asks port employers to negotiate with his union nationally on a range of issues that can only be seen as the reintroduction of a substitute Dock Labour Scheme. Port employers have consistently said that they want to talk to their employees and union officials at local level to deal with matters concerning their future terms and conditions of employment and to reassure them about continuity of pensions and other matters after repeal of the scheme.

One of the worst features of the Dock Labour Scheme was the devisive way in which a statutory demarcation line separated a group of workers from their employer and encouraged loyalty to an outdated job protection system. Now that the scheme is about to be repealed, one of the great challenges for the management in scheme ports will be to carry out the integration and assimilation of the registered dock worker into the arrangements that apply to the much larger group of employees of that particular company or employer.

The vast majority of port employers know that the success of their business will depend upon the motivation and goodwill of their employees. It is in the direct interest of port businesses that the demarcation lines and attitudes of the past perpetuated by the Dock Labour Scheme are removed. The TGWU abandoned, on legal advice, open confrontation with the Government to strike over repeal of the scheme and are now trying to establish a veneer of respectability to their claim for extensive national bargaining machinery to "establish national employment conditions for British dockers which are no less favourable than those provided by the Dock Labour Scheme," to quote Ron Todd. In presentation of their claim they are, I believe, deceiving the registered dock worker by trying to persuade him that his best interests are served by maintaining loyalty to an outdated national system of control which is wholly inappropriate to the needs of a modern port transport company and the prosperity of all employees who work for the dockers' own company.

As every day passes towards the repeal of the Dock Labour Scheme, so the real needs of the dock worker for local discussions with his employer grow greater. It is disgraceful that the TGWU's National Docks Secretary, John Connolly, is advising dockers that "any attempts, therefore, by port employers to initiate discussions or negotiations in ports at local level, on issues or developments arising from the Government's decision to abolish the Dock Labour Scheme, must be rejected."

This whole approach by the TGWU seems aimed at maintaining national union control at the expense of the local dock worker and his employer's best interests. The port employers will not recreate the Dock Labour Scheme by another means.

Nicholas Finney,
The National Association of Port Employers,
1-19 New Oxford Street, WC1

The revaluation of the D-Mark

From Mr Leonard Ross.

Sir, Your editorial ("The dazzling dollar", May 10) makes no mention of one crucial explanatory factor: the lack of a currency realignment in the EMS since January 1987. The obverse of dollar strength is, of course, weakness of the Yen and the D-Mark. In the case of the Yen, the interest differential in favour of the dollar is perhaps an adequate explanation. It is apparently not so with the D-Mark, where, as you point out, the interest gap has narrowed quite sharply.

But, how else do you explain the huge capital outflows from Germany which are the cause of the D-Mark's weakness? The Bundesbank identifies net long-term capital exports in 1988 of DM 84bn, half of which went into foreign currency bonds. There was another DM 36bn of short-term outflows. These seem to have continued on much the same scale in 1989. The Bundesbank used to blame the interest withholding tax. Now that it is to be abolished, the Bank is at a loss to explain why the outflows have not been reversed, even after last month's rise in its own money rates.

What the Bundesbank seems unable or unwilling to face up to is the role of the EMS in the D-Mark's decline. You continually applaud the "success" of the EMS exchange rate mechanism in maintaining stable currency values for nearly two and a half years. Yet, far from creating wider financial stability, the fixity of exchange rates is responsible for deferring adjustment of the growing imbalances in Europe. Germany's increasing trade surplus with her EMS partners shows patently the undervaluation of the D-Mark.

There is an urgent need for a substantial D-Mark revaluation to correct the trade imbalances. Yet, for political reasons, the necessary EMS currency realignment is repeatedly postponed. Investors, convinced that fixed exchange rates are here to stay, have spotted an opportunity for easy money. With no perceived risk, they treat currencies such as the lira and the French franc as high-yielding proxy Marks. Why not borrow D-Marks at 7 per cent and relend in lire at 13 per cent?

This interest arbitrage has not been confined to the EMS. G7 pacts on currency stability and the counter-inflationary commitment to a strong currency in many countries — US, Canada, UK, Australia, New Zealand, Spain — mean that investors now feel secure with bigger weightings for the high yielders in their portfolios.

Germany's capital outflows and the weak D-Mark will continue until investor perception of negligible currency risk is dispelled. Another rise in German interest rates would help, but, on its own, it will have to be damagingly large to have an impact. If abandoning the EMS exchange rate mechanism is (regrettably) ruled out, the most effective way of reversing capital flows would be for the Bundesbank to upvalue the D-Mark in the EMS and then to hold it near the floor of its intervention band, giving scope for further appreciation to burn the fingers of the EMS interest roundtrippers. In short, the Bundesbank must show that the D-Mark can go up as well as down.

Leonard Ross,
107 Fleet Street, EC4

South-east Asia's regional revival should start from within

From Mr Fitzroy Ponniah.

Sir, Your leader, "The West's role in Kampuchea" (April 19), emphasises the importance of international investment and the Sino-Soviet summit. You are misguided. To start with, the region suffered under past colonial ambitions, followed by more suffering inflicted by US-Soviet rivalry. Now it is threatened with blind prescriptions in the name of the international community.

Unnecessary rivalry and competition have caught up with the US and the Soviet Union, evident in the US trade and budget deficit and in Mr Gorbachev's foreign policy shift with emphasis on cost-saving, a by-product of his economic diagnosis. Again, Mr Gorbachev's concept of a common European home should make Vietnam less relevant and the Soviet hold on the Japanese islands out of date.

The assured withdrawal of Vietnamese forces from Kampuchea by September makes the US-China-Khmer Rouge alliance meaningless. China has inflicted much suffering and destruction on Tibet and, via the Khmer Rouge, much of the same in Kampuchea. The Chinese need to realise that their behaviour is unacceptable; the Khmer Rouge must be made to dissolve itself. The US-China-Pakistan attempt to manage the outcome of the political settlement in Afghanistan led to further destruction of the region — this model should not be repeated in Kampuchea.

The UN's ambition to manage a political settlement was misplaced. The UN should be supportive, and not attempt to manage Cambodian politics.

Hun Sen is well placed to start the process of nation-building, having accepted the Buddha's teaching as central to the Kampuchean identity. Accepting the Buddha's teaching as central to Vietnam's recovery will aid reconstruction. Prince Sihanouk is well placed to provide princely leadership.

The EC has little to do . . . non-interference by the US will help make savings on unnecessary foreign policy adventures.

Fitzroy Ponniah,
16 Ormonde Mansions,
106 Southampton Row, WC1

FINANCIAL TIMES
Friday May 12 1989

FSX opponents fail in bid to halt project

By Nancy Dunne in Washington

THE US Senate Foreign Relations Committee yesterday narrowly defeated an attempt to stop a controversial $7bn deal with Japan to co-develop and co-produce the FSX fighter aircraft.

The committee voted by nine votes to eight to defeat a ferocious attack on the project, under which Japan would build a new aircraft using technology from the US F-16 fighter.

The agreement, originally approved by the Reagan Administration but renegotiated under President Bush, would give the US 40 per cent of the development work and about 40 per cent of the production.

The full Senate, which rarely reverses a committee vote, will now vote on the project. To stop the deal, both houses would have to pass a joint resolution of disapproval by May 31. If President Bush vetoed this, they would have to override him by a two-thirds majority vote.

Senate Democrats may still attempt to impose additional conditions on the project. Senator Robert Byrd, the former majority leader, has proposed stringent monitoring requirements and demanded that US companies supply 40 per cent of all spare parts.

The new conditions follow a report by Congress' General Accounting Office that the technology Japan is to provide to the US, a prime selling point of the project, is already well known to the US aircraft industry.

The Bush Administration, originally divided over the merits of the FSX, presented a united front in Senate hearings in support of it.

Mr Robert Mosbacher, the Commerce Secretary, who had insisted on tougher conditions that were renegotiated into the agreement, assured Congress that it would not harm the country's "economic security interests."

With anti-Japanese sentiment running strong, Congressional Democrats and Republicans have united behind charges that, despite the safeguards negotiated by the Administration, the project is a "technology giveaway."

At a hearing on Wednesday, Senator Joseph Biden Jr, a Delaware Democrat, said Japan had refused to be a "good ally" by rejecting an off-the-shelf purchase of US F-16 planes which would help to alleviate the mounting US trade deficit with Japan.

Senator Jesse Helms, a North Carolina Republican, was more vocal and said of the Japanese: "They skinned us many a time. They skinned us real bad in December 1941, and they are skinning us with the FSX."

The Bush Administration had important support from the Committee chairman, Senator Claiborne Pell, a Rhode Island Democrat.

US savours electronics showdown

Louise Kehoe on industry pressure to prise open Japan's markets

US electronics trade groups are savouring the prospect of a showdown between the US and Japan over high technology trade.

Hardened by frustration over continuing trade barriers and disappointed by the slow progress achieved under trade agreements with Japan, industry executives are demanding tough action from the US Government to pry open Japanese markets for a growing range of electronic products.

Japan will become the number one target of the Administration's "Super 301" hit list of "unfair traders" to be published at the end of the month, industry executives believe.

On the key issue of semiconductors, the "building blocks" of the electronics industry, the battle could begin even sooner with talks scheduled to start in Tokyo this week to review progress under the 1986 US Japanese semiconductor trade agreement which promised greater market access for foreign chip producers.

Japanese officials are hoping to use the talks to persuade the US not to include semiconductor trade as a "priority practice" to be addressed under the terms of the Super 301.

US industry representatives say, however, that their trade dispute should not only be included, but also given top billing.

The "foreign" share of the $18bn Japanese semiconductor market stands at 10.6 per cent, up from about 8 per cent in 1986 when the trade agreement was signed.

While US semiconductor sales in Japan have increased by more than 70 per cent in the past three years, the US portion of the fast-growing Japanese market is currently shrinking, according to US industry analysts.

In new trade figures, expected to be released soon, the foreign share of the Japanese semiconductor market will show a significant decline for the first quarter of 1989, they predict.

The US Government must retaliate against Japan's failure to live up to the trade pact, US industry officials say. If new sanctions are imposed, they should target Japanese companies that have done little to increase their foreign chip purchases, they suggest.

Japan's major consumer electronics companies have a great deal at stake in the US market, the US industry representatives point out. US sales revenues of companies such as Sony, Sanyo and Matsushita are very high.

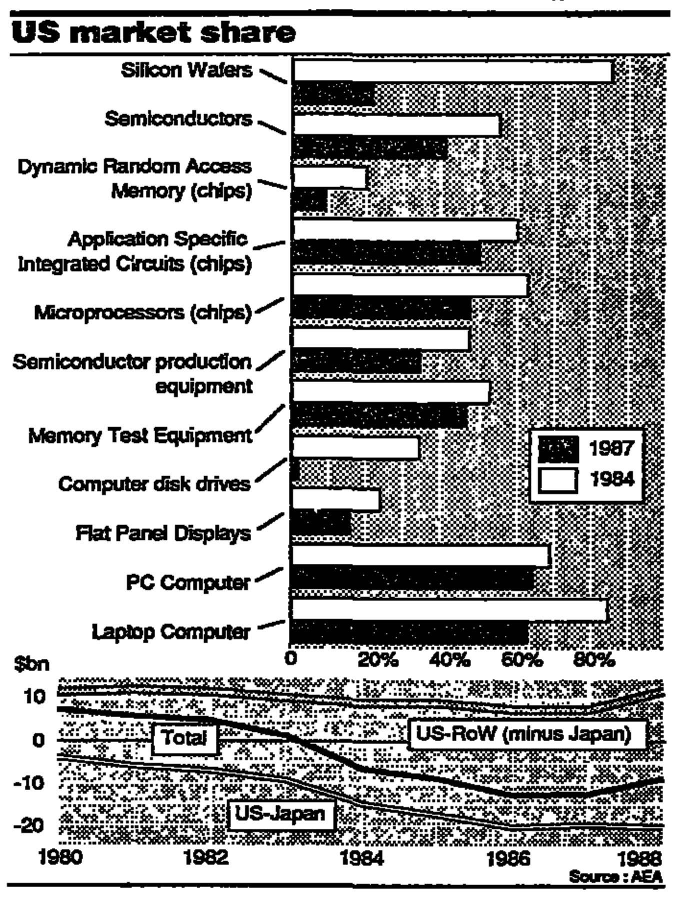
The US Government's dissatisfaction with the compliance of the consumer electronics manufacturers is signalled by the inclusion of televisions, tape recorders, stereo speakers, citizen's band radios and video cassette recorders in a list of products that may become subject to punitive 100 per cent import tariffs in connection with a separate trade dispute over cellular telephones. The product list also includes Japanese supercomputers.

Next week the American Electronics Association (AEA), a trade group representing more than 3,500 US companies, will launch a blitz of publicity to be followed by lobbying efforts in Washington under the banner "America's future at stake".

"Electronics is the nation's largest manufacturing industry and as the 'toolbuilder' for the rest of the economy is of critical importance for the future of our economic and military security," says Mr Richard Iverson, president of the AEA.

The failure, to date, of US efforts to break down barriers to trade with Japan are evident, industry officials claim. The US electronics trade deficit with Japan stands at $20.5bn, a record high.

For too long, the AEA contends, Americans have viewed trade in terms of black and white – free trade versus protectionism. "What we need is a strategic approach to trade policy that supports the interests of US industry," Mr Iverson proposes.



UK Liberal looks for an Italian job in European Parliament

By John Wyles in Rome

IF THE 1984 European elections are any guide, Mr David Steel, former leader of the British Liberal Party, would appear to have a better than even chance of winning a seat in the European Parliament as a candidate on the joint list presented by Italy's Liberal, Republican and Radical parties.

Mr Steel announced yesterday that he would fight an Italian seat, the first time a leading politician from one EC country has fought in another.

In 1984 only the Liberals and Republicans ran in tandem under Italy's system of proportional representation, but they did manage to elect one MEP for the constituency covering Tuscany, Umbria, the Marches and Lazio. But so also did the Radicals, and because Mr Steel is second on the electoral list being put up by the triad of parties for this constituency, they would only have to repeat 1984's performance to send him to Strasbourg.

Although the legal position is a little cloudy, it would appear that under Italian law Mr Steel would also have the luxury of choosing not to take his European seat because he is already a member of the British legislature.

Italian law allows members of its national parliament who win a seat in Europe to step down from one or the other assembly in favour of the next member down the party's electoral list. This enables the parties to deploy their big guns in the European elections even though many of them have no intention of going to Strasbourg.

Candidates in this category almost certainly include Mr Bettino Craxi, the Socialist Party leader, who heads his party's list in both the north-west and central constituencies, Mr Arnaldo Forlani, the Christian Democrat party secretary, and Mr Giulio Andreotti, the Christian Democrat foreign minister who was also elected an MEP in 1984 but chose to stay at home.

The fact that they allow non-nationals to run for Euro-election is viewed by many Italians as a proud affirmation of the nation's European commitment.

That said, Mr Steel's candidacy has been taken very quietly, earning far fewer headlines than the fact that the Communist Party is running France's Mr Maurice Duverger, a close adviser of President François Mitterrand who, in a gesture of political ecumenicism, willingly gave his blessing to this crossing of party and national lines by his Socialist friend.

But the grouping which Mr Steel intends to represent is a political pygmy in comparison with the Communists.

The Liberals and Republicans jointly took 6.1 per cent of the vote in 1984, exactly the same as they had polled separately in 1979.

For their part the Radicals won 3.4 per cent in 1984, and the three are now hoping for a combined strength of about 10per cent in next month's contest.

Mr Marco Pannella, maverick leader of the Radicals, reportedly made the approach to Mr Steel and to his party's leader, Mr Paddy Ashdown, some time ago. Both originally turned down the idea of running in Italy and Mr Pannella then turned to Salman Rushdie, author of the Satanic Verses.

He, too, refused but in the past few days Mr Steel changed his mind and accepted the challenge. Mr Pannella is one of Italy's most inventive politicians, with ambitions for Europe which do not stop short of complete federalism and which are bred of an emotional rejection of national boundaries.

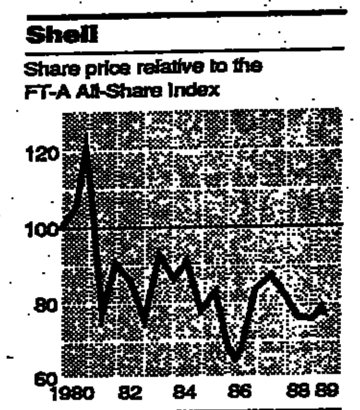
Only two weeks ago his party held its congress in Budapest and its members are drawn from several nations including, most recently, some well-known Soviet dissidents.

THE LEX COLUMN

The majors fire on all cylinders

For the first time in memory, all three of the oil majors' businesses are prospering together: higher oil prices are doing their bit for upstream profits, strong demand for oil products has eliminated much of the excess refining capacity, and the great chemical boom continues.

The fact that the majors yesterday reported flat or lower current cost figures for the first quarter should not be taken too seriously. Production problems hit both companies, the mild winter cut Shell's gas sales; and most important of all, the sheer speed of the rise in crude prices meant a temporary squeeze on downstream margins. For the rest of the year, however, good profits look reasonably certain. Refining and marketing margins have improved greatly in the last two months, Opec's hold on the market seems good, and even assuming that the chemicals cycle is at last at the top, the way down appears to be fairly gentle.



At first sight, the shares have not noticed this happy coincidence of events, and the relative outperformance over the last two months still leaves them lower than a year ago. However, both are yield stocks, and as their dividends have been rising at under 10 per cent compared to almost 20 for the market as a whole, a re-rating has been taking place. Indeed the present 140 per cent of the market yield is about the lowest this decade; and while there is a growing feeling that the oil majors deserve a market yield, as in the mid-1970s, the case seems slender. British industry was then in crisis and the oil price thought to be rising exponentially: the present slowing in corporate profitability and apparently steady oil price scarcely amount to that.

GrandMet

GrandMet chairman Allen Sheppard said he was moved to observe a moment's silence in tribute to yesterday's interim results. Unfortunately for the others, this was not similarly inspired. While noting in passing the undisputed strength in profits growth at the half year, investors were minded to concentrate instead on the weakness of a balance sheet which shows the company nearly 200 per cent geared after buying Pillsbury. There were no complaints about the actual profit contribution from Pillsbury – but with only 100 days of the new regime to judge by, it would not do to conclude too much from that.

For the market at the moment, the salient fact about Pillsbury is not the size of its first profit contribution, but the huge amount of money set aside to sort it out in future. GrandMet may well not need all of the $750m provision made for that purpose – fully a third of it covers retirement medical benefits for employees, which are notoriously difficult to guess at – but its sheer size seems to have spooked the share price, which fell 4 per cent as a result.

That puts the shares on a prospective p/e of something like 10 times earnings, which suggests just about the right degree of scepticism about the grandeur of the GrandMet plan. Mr Sheppard spoke again yesterday about the superiority of the company's long-term vision; but he was obviously cautious about the near term. And investors may well want to see the hard facts in burgers and buns before they become true converts.

Markets

The financial markets are in an understandably nervous mood, and this is unlikely to be helped by the Bank of England's latest economic assessment, or by yesterday's robust response by the dollar to a surprisingly weak set of US retail sales figures for April. Economic growth, particularly in the US, is slowing down so quickly that a recession cannot be ruled out, while the authorities around the world are still a long way from stemming the rise in inflation, let alone reversing it. As a result, the dollar is going up when it should not, some bond markets are already discounting lower interest rates, and equity prices in London and New York are hoping for a soft economic landing. It may all work out all right but it is a volatile mix.

The Bank of England's message is reassuring, if gloomy. The tightening of UK monetary policy in the second half of 1988 is beginning to have the desired effect but much better news on inflation and the balance of supply and demand will be needed before monetary policy can be loosened. Meanwhile, earnings growth is uncomfortably high and the corporate sector has moved quite heavily into financial deficit for the first time since the early 1980's.

For the moment, 13 per cent UK base rates seem about right but this could easily change if the pound were to take a nasty tumble or interest rates elsewhere rose. Given that the Bank is forecasting US inflation around 5¼ per cent for the next couple of years, the possibility of further monetary tightening cannot be ruled out. However, if the US economy really is as weak as yesterday's April retail sales figures suggest, the inflationary pressures may begin to subside somewhat earlier. It would all sound more encouraging, if only the dollar started to behave as if the US economy was slowing down.

Gateway

Of the two events, a surprising 15 per cent increase in profits at Gateway and the purchase by some fly-by-night Canadian investors of 2.5 per cent of Asda, the market correctly regards the latter as the more momentous. Gateway may have been hoping to get twice the attention by producing some well rounded figures the day before its defence document, but as it was not prepared to explain fully such oddities as a second half interest charge of only a third the level of the first half, it did not deserve any response.

Meanwhile, the arrival on the Asda register of some seasoned arbs justifies the 25p rise in the shares over the last few weeks. While it would not be the Belzberg style to bid themselves, there is plenty of other action in the Asda shares to judge by the heavy volumes. If a bid arrives there could be a futher 40p or so profit to be made, and if it does not, Asda has enough long term promise – even assuming it pays too much for Gateway's superstores – to be only marginally too dear on a two year view.

Noriega's accounts to be passed to US

By Raymond Hughes, Law Courts Correspondent, in London

INFORMATION on bank accounts held in London by General Manuel Noriega, the Panamanian military leader, could be passed on to US drug enforcement agencies following a High Court ruling won by the British Customs and Excise.

General Noriega has been indicted in the US on drug trafficking offences.

Details of the accounts and other documents were found in a locked cabinet in the London offices of Bank of Credit and Commerce International when it was raided last October by Customs officers investigating drug money laundering.

Although not relevant to that investigation, the Noriega documents were regarded by Customs officers as likely to interest their US counterparts.

As the documents were not covered by the Customs' search warrant they could not be seized, so the Customs applied for, and was granted, a court order requiring BCCI to hand them over.

However, in November Judge Valerie Pearlman at Southwark Crown Court only agreed to make the order on condition that the Customs undertook not to pass on the information to US drug enforcement agencies.

She had been told that BCCI feared for their employees in Panama if the Noriega material were handed over to the US.

Yesterday two High Court judges freed the Customs from the undertaking, which they said had been wrongly imposed. They said they would give their reasons later.

The Customs undertook not to pass the Noriega material over to the US until after the full judgment. There may be a further delay after that if BCCI decides to appeal.

The High Court had been told by Mr Andrew Collins, QC, for the Customs, that it was vital that drug enforcement agencies should be able to exchange information in the international battle against the scourge of drug trafficking.

Mr Peter Cresswell, QC, for BCCI, had argued that the case raised serious issues about banking confidentiality.

US increases pressure on Shamir

Continued from Page 1

the elections a chance and of working with Israelis and Arabs to see if we can convert the election into a broader process that will ultimately bring about political negotiations."

Israeli officials said that in a "long and detailed" letter to Mr Moshe Arens, Israel's Foreign Minister, last week, Mr Baker laid out the main areas of US concern over the election issue. Mr Arens had replied that the Government had yet to reach a final plan.

He and Mr Shamir have been thrashing out proposals – based on an outline announced by the Prime Minister last month – with the leading Labour members of the coalition, Mr Shimon Peres, the Finance Minister, and Mr Yitzhak Rabin, the Defence Minister.

The US has now clearly signalled its desire to see a plan produced without delay and the high-level State Department delegation, led by Mr Dennis Ross, is due to arrive in Israel tomorrow direct from Mr Baker's talks in Moscow.

After meeting Israeli leaders, and possibly Palestinians from the territories, the Americans plan to visit Egypt and Jordan.

Israeli officials say Mr Baker's letter to Mr Arens made clear that the US expected elections in the territories to be held under international supervision, to include Arabs living in East Jerusalem and be linked firmly to the starting of negotiations on a final settlement with the Palestinians. Mr Shamir, leader of the right-wing Likud bloc, has publicly rejected the idea of formal international supervision, but government officials say a compromise involving some outside observers can be reached.

The issue of East Jerusalem may prove more intractable. Mr Rabin has proposed that East Jerusalem residents be able to vote elsewhere in the West Bank, but Mr Shamir has so far ruled out the participation of Jerusalem Arabs.

Panama alert

Continued from Page 1

that Panama's electoral tribunal had "perpetrated the ultimate election theft in nullifying the elections. We believe universal condemnation of events in Panama is warranted."

The White House also attempted to allay the fears of some Latin American states that the crisis in Panama may provoke the US to abrogate the treaties under which it will hand over control of the strategic waterway by the turn of the century. "The United States is committed to democracy, to the maintenance of the Panama Canal, and to the integrity of the Panama Canal treaties," a statement said.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	20	68	Malta	S	22	72	Rhodes	S	23	73
Algiers	S	22	72	Edinburgh	R	8	46	Manchester	C	11	52	Rio de J'o	F	27	80
Amsterdam	F	15	59	Faro	S	20	68	Manila	F	36	97	Rome	F	18	64
Athens	S	21	70	Florence	S	22	72	Melbourne	C	18	64	Salzburg	F	17	63
Bahrain	S	32	90	Frankfurt	F	17	63	Mexico City	C	26	79	San Francisco	S	10	50
Bangkok	F	34	93	Funchal	R	17	63	Miami	S	23	73	Seoul	C	22	72
Barcelona	C	18	64	Geneva	R	16	61	Milan	S	21	70	Singapore	F	27	81
Beirut		–	–	Gibraltar	S	22	72	Montreal	R	9	48	Stockholm	F	11	52
Belfast	R	9	48	Glasgow	C	7	45	Moscow	C	20	68	Strasbourg	R	16	61
Belgrade	S	25	77	Guernsey	C	12	54	Munich	C	17	63	Sydney	S	20	68
Berlin	S	15	59	Helsinki	F	10	50	Nairobi	F	24	75	Taipei	F	35	95
Biarritz	F	18	64	H. Kong	C	30	86	Naples	S	25	77	Tangier	F	19	66
Bombay	S	31	88	Innsbruck	C	17	63	Nassau	F	29	84	Tel Aviv	S	24	75
Bordeaux	F	22	72	Inverness	R	8	46	New Delhi	S	38	100	Tenerife	F	23	73
Brussels	C	13	55	Islamabad	C	36	97	New York	Dr	9	48	Tokyo	R	13	55
Budapest	F	22	72	Istanbul	S	19	66	Nice	S	18	64	Toronto	F	5	41
B. Aires	F	20	68	Jakarta	C	33	91	Nicosia	S	22	72	Tunis	S	25	77
Cairo	S	27	81	Jersey	C	12	54	Oporto	C	17	63	Valencia	F	19	66
Cape Town	R	15	59	Jo'burg	S	22	72	Oslo	F	13	55	Venice	F	21	70
Caracas	C	25	77	Lima	C	21	70	Paris	C	17	63	Vienna	F	18	64
Casablanca	F	20	68	Lisbon	F	21	70	Peking	C	14	57	Warsaw	F	12	54
Chicago	S	5	41	London	F	17	63	Prague	R	16	61	Washington	Dr	9	48
Cologne	R	14	57	Los Angeles	S	12	54	Reykjavik	F	6	43	Zurich	F	19	66
Copenhagen	F	11	52	Luxembourg	C	13	55								
Corfu	S	21	70	Madrid	S	24	75								
Dallas	F	14	57	Majorca	F	20	68								
Dublin	C	9	48	Malaga	F	21	70								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Fierce reaction to insider dealing plans

Continued from Page 1

not been made public – and the obligation to disclose it.

London bankers argue that the restrictions would require an investment bank advising a company on an acquisition to ignore its own "Chinese walls" and order its trading arm to stop dealing in the securities of both firms.

Some countries wish to draw a distinction between insider traders with primary access to information – for example an investment banker who abuses information to which he has direct access – and those with secondary access, such as a taxi driver who overhears a conversation in his cab.

Insider trading legislation also throws up important issues for Germany, where there is no federal agency with overall responsibility for the securities markets.

UK bankers also object to a proposed requirement that companies immediately inform the public of any "new or important circumstance or important decision" which would have a significant effect on its stock price. This would mean that a company would have to disclose acquisition plans even before acquiring a small stake in the target or holding discussions.

The proposals allow an exemption in the case of disclosures which would harm a company's legitimate interests, but add the requirement that domestic authorities such as the stock exchange be informed instead. The rule would mean stock exchanges having to safeguard price-sensitive information, a role many may be unwilling to assume.

FINANCIAL TIMES

COMPANIES & MARKETS

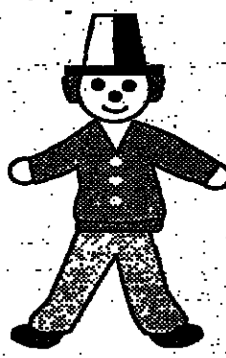
Friday May 12 1989

INSIDE

Big US ambitions for the small screen

The US electronics industry is pressing for a $1.35bn government-sponsored programme to capture the lion's share of the anticipated $40bn market for High Definition Television products. But its scheme received a muted response in Washington this week, reports Louise Kehoe. Page 22

A new broom in toy town



This week's deal which hands Hamleys, the London toyshop, to a new owner is more than a simple acquisition: it matches up the oldest name in the toy industry with some very modern financial engineering. And the new management, led by an Anglo-American businessman in his mid-thirties, is planning a cautious strategy of international expansion. Page 27

Insurer hit by Rothwells factor

A worse-than-expected £15.8m ($26.2m) loss at General Accident's troubled NZI Bank subsidiary, which was hit heavily last year by the side-effects of the Rothwells collapse in Australia, was a factor in a 5 per cent drop in the composite insurer's first quarter pre-tax profits to £55.5m. With US profit margins under pressure from the downswing in the property/casualty underwriting cycle, GA's worldwide underwriting losses fell 6 per cent to £19.8m on non-life premiums of £696m. Page 32

Higher and higher

Continued buoyant demand for both manufacturing and non-industrial gases lifted operating profits at BOC Group, the gases and healthcare company chaired by Richard Giordano (left), by 15 per cent to £179.4m ($298m) in the six months to the end of March. However, interest charges of £30m resulting from the company's heavy capital expenditure programme constrained profits at the pre-tax level to £149.4m. Page 28

The name goes on

Hong Kong's 46-storey Bond Centre, which became wholly Japanese owned in a deal struck on Wednesday night, will continue to carry the name of Mr Alan Bond, the Australian entrepreneur (left), at least until June 30 1997, when the colony reverts to Chinese sovereignty. Meanwhile, Bond executives are considering how to transfer some of the proceeds from the deal to Australia, reports John Elliott. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Feldmuehle	360.2	+	5.8
Nixdorf	315.2	+	4.7
Thyssen	238.8	+	2.8
Falls			
Deutsche Bank	534	−	18
Karstadt	480	−	4.5
Siemens	526	−	2.5

NEW YORK ($)

Rises			
Amerifirst	11⅛	+	⅝
Blockb'ter Ent.	28⅛	+	2
Circuit City	43⅞	+	½
Dunkin' Donuts	39⅞	+	5
Newmont Mining	40⅛	+	½
Falls			
Eastman Kodak	43⅛	−	½

New York prices as at 12.30pm.

PARIS (FFr)

Rises			
[illegible]	94	+	1.8
Paribas	480	+	.5
Falls			
Club Med.	598	−	8
Michelin	201	−	3.3
Peugeot	1652	−	3

TOKYO (Yen)

Rises			
Daiichi Chuo	1040	+	101
Nihon Spindle	1220	+	100
Sinkokogio	1060	+	99
Falls			
Aichi Tokei	1190	−	60
Mikuni Coca	1800	−	90
Okura	1150	−	60

LONDON (Pence)

Rises			
Armstrong Eq.	167	+	4
Boase Mass.	344	+	13
Braithwaite	285	+	8
Evans Halshaw	239	+	6
Inny Mer. Dev.	472	+	7
Kingfisher			
L.I.T. Hldgs.	147	+	8
Lang Props.	530	+	15
Lonrho	278	+	6
Lucas Inds.	631	+	6
Priest Marians	454	+	8
Saatchi	294	+	10½
Steetley	445	+	9
Ward White	273	+	6
Falls			
Ass. Papers	219	−	16
Cambridge Elec.	221	−	22
Gold Greenlees	321	−	7
Grand Met.	557	−	24
Ladbroke	574	−	10
Lloyds	370	−	10
McCarthy & St.	233	−	13
Meyer Intl.	423	−	8
Midland	337	−	8
UEI	481	−	17

GrandMet jumps 30% to over £300m

By Lisa Wood in London

GRAND Metropolitan, the UK food and drink group, yesterday announced a 30 per cent increase in interim pre-tax profits – at the top end of City forecasts – but its shares fell amid market concern about the shape of its balance sheet following the acquisition of Pillsbury, the US food group.

GrandMet's gearing at the half year ended March 31st 1989, three months after the $5.85bn acquisition of Pillsbury was 198 per cent, and the group further disconcerted the market yesterday by disclosing that it had made provisions totalling $750m for the acquisition.

Grand Met sought to play down the provisions – which take in new US rules on accounting for pensions and medical care, as well as further rationalisation costs – describing them as "prudent" and open to major revision. However, the company's shares closed at 557p per share, down 24p.

Mr Allen Sheppard, chairman of GrandMet, in announcing pre-tax profits of £301m (£232m), said Pillsbury established GrandMet as the eighth-biggest international operator in the world's food league.

Grand Metropolitan's progress report yesterday on the acquisition re-assured the City, although analysts said it was early days.

Since January, when Grand Met acquired the US group, central overheads have been slashed at both Pillsbury Food's and Burger King's headquarters. Plants have been closed. Disposals, including the $430m sale of the Bennigans licensed restaurant chain, were said to be progressing smoothly. Pillsbury contributed £69m towards the food division's trading profit of £106m (£34m in the previous year), while the drinks division contributed £159m (£135m) and retailing £92m (£62m). Discontinued businesses including Inter-Continental, the hotel chain, provided £12m (£40m) towards trading profits which totalled £369m (£271m).

Total group turnover was £4.04bn, an increase of 40 per cent on the previous year. Sales revenues of continuing businesses, excluding Pillsbury and newly-acquired William Hill, the betting shop, increased by 13 per cent.

Earnings per share increased by 24 per cent to 22.9p from 18.4p after absorbing a higher tax charge than last year. An interim dividend of 6.75p per share is to be paid, up 23 per cent.

An extraordinary item of £518m, compared with £74m in the previous year, was earned mainly from the sale of Inter-Continental Hotels.

In the food division, Express Foods and Eden Vale both produced strong growth with underlying profits 26 per cent up. Also, the US pet food business, in the face of an intensely competitive market, maintained last year's profit levels.

In drinks, IDV maintained its position as the world's largest wine and spirits group by volume. Trading profits increased by 18 per cent.

Brewing activities, said Grand Met, were well equipped to face potential issues arising from the recent Monopolies and Mergers report. If this is implemented in full Grand Met will have to sell its brewing operations to retain all its pubs.

Strong profits growth came in the retailing division from existing businesses such as Pearle and acquisitions including Wienerwald, the Continental restaurant chain and William Hill. The casino operations' results were described as disappointing.

Lex, Page 24

Big demand for shares in Repsol

By Peter Bruce in Madrid

VERY HEAVY demand for shares in Repsol, the Spanish oil company being partly privatised, emerged yesterday as the country's biggest industrial company made its stock market debut.

However, first day's trading on the Madrid stock market ended without a single share being sold, despite the demand. This was because the Madrid market had placed a limit of Pta2,040 ($17.14) on the shares, which were floated off at Pta1,700.

Although some 17m shares were understood to have been demanded, no sellers came forward.

On the Bilbao bolsa, however, a substantial number of shares were sold, and the stock closed there at Pta2,150.

The shares were quoted yesterday in New York as well as on the four Spanish bourses, and early trading on Wall Street saw more than 2m shares traded for the equivalent of some Pta2,060 each.

Repsol officials said yesterday they were satisfied with the first day's trading, despite the absence of any official sales in Madrid.

The company, which has spent more than Pta2bn publicising the offering, had worried that early trading would be marked by massive speculation and that the nearly 350,000 private Spanish shareholders it has attracted would quickly be overwhelmed by institutional buyers.

The offer only closed last weekend, however, and local small shareholders still have not received their allocations.

The Madrid exchange may lift its price ceiling today, having watched prices rise 21 per cent or so in New York despite the heavy trading there.

Market report, Back Page

Tony Andrews

Shell meeting ends in uproar

Shell Transport and Trading's annual meeting in London yesterday broke up amid barracking by anti-apartheid demonstrators.

They were protesting at a decision to end questions about the company's trading policy in South Africa. The Anti-Apartheid Movement was yesterday taking legal advice on whether it could seek an annulment of the business passed at the meeting.

But Shell said Sir Peter Holmes, chairman, had taken the steps he thought fit to determine the wishes of the meeting amid the uproar.

Details page 27

Rising oil prices fail to lift Shell and BP

By Steven Butler in London

RISING OIL prices have proved a mixed benefit to the Royal Dutch/Shell Group and British Petroleum, two of the world's three largest private oil companies, which reported their first quarter results yesterday.

Neither company was able to take full advantage of the sharp rise in crude prices during the period and reported lower profits in exploration and production.

The steady rise in crude oil and refined product prices also squeezed margins in refining and marketing, as the industry was unable to pass on higher costs quickly enough to customers.

After-tax profits at BP fell by 6.6 per cent to £381m ($632m), while Shell reported a 22½ per cent rise to £1.1bn, with Shell benefiting strongly from property disposals. Both companies' figures are compared with the first quarter of 1988 and discount the effect of inventory losses and gains. Inventory values rose sharply due to rising prices.

Mr David Simon, BP managing director in charge of finance, said yesterday that in the past week, with crude and refined product prices in retreat, prices had come back into better balance, at least temporarily. This would be likely to boost second quarter results if the balance persisted. However, he pointed out that markets have been extremely volatile in recent months.

However, BP had slightly raised its crude oil price projections for the second half of the year for planning purposes. Brent crude is now expected to fluctuate within the range of $16 to $17 dollars a barrel.

Perhaps most surprising was the two companies' inability to turn higher crude prices directly into higher upstream profits. This was due first to platform shutdowns in the North Sea which cut output. Shell recognised that the cut in output was partly responsible for the increase in prices and said the outlook for upstream earnings depended on whether the recent price rises could be maintained.

Both companies are also paying more tax on North Sea operations because tax benefits on some of the big fields which were developed early have expired.

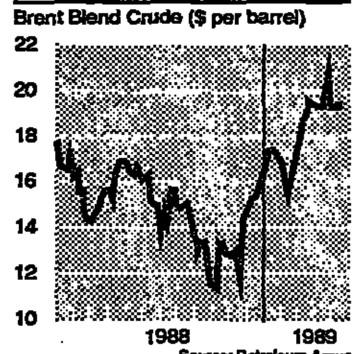
Exploration costs have also begun to creep up again, partly because of increased levels of activity. Shell UK has come under increasing pressure from the Government to explore the large bank of undrilled acreage which it acquired in earlier North Sea licence rounds.

The boom in chemicals continued for both companies in the first quarter, despite a steady rise in feed stock costs. None the less, Shell managed to boost margins, while BP said that higher volumes made up for a decline in margins.

Lex, Page 20; Details, Page 27; Esso Italiana results, Page 23

Oil price

Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

Minorco chases US court deadline

By Kenneth Gooding in London

MINORCO, the South African-controlled investment group, suggested last night it was making considerable progress towards having a New York court remove the injunction which prevents the completion of its £3.5bn ($5.9bn) bid for Consolidated Gold Fields, the diversified UK mining group.

It admitted, however, that the timetable set by the court leaves very little room to spare before the bid deadline at midnight next Wednesday when Minorco must either take control of Gold Fields or allow the offer to lapse.

Minorco made an application to the court to have the injunction put aside because it was "fraudulently obtained" by Newmont Mining, of the US.

Judge Michael Mukasey yesterday ordered Newmont to submit a reply by Monday. Minorco must then put its final submission by Tuesday.

He also dismissed an application made by Newmont on Wednesday alleging Minorco was in contempt of its court.

Since Gold Fields dropped out of the US case on Tuesday under pressure from the UK Takeover Panel, only Newmont's injunction – which prevents Minorco adding to its 30 per cent shareholding in Gold Fields – stands between Minorco and success with its bid.

Apart from its court action, Minorco is also attempting to encourage a bid for Newmont to get the injunction removed. Sir Michael Edwardes, Minorco's chief executive, said yesterday: "We are seriously talking to companies about Newmont and using every avenue to establish whether there is a buyer."

Gold Fields owns 49 per cent of Newmont and Minorco intends to sell this stake if it gains control of the UK group.

Although a bid for Newmont would cost more than $2bn and would have to be in cash, there was a once-in-a-lifetime opportunity for a rival to snap up "one of the world's greatest gold companies," Sir Michael suggested.

But Minorco had not been approached about a bid for Newmont or by anyone wanting its 30 per cent Gold Fields stake, he said. Meanwhile, in what was widely interpreted as a defensive ploy, Newmont yesterday announced a recapitalisation of its 49.97 per cent-owned associate, Peabody Coal. Minorco dismissed the move as "cosmetic" and said: "Newmont is trying to improve the value of its stock by shifting some debt to Peabody."

Boulet makes increased offer of 345p a share for BMP

By Nikki Tait in London

THE BID battle over UK-based advertising agency and marketing services group Boase Massimi Pollitt intensified yesterday as its Paris-based predator, Boulet Dru Dupuy Petit, raised the terms of its cash offer from 300p to 345p a share.

The new leveraged offer, which values the UK group at around £118.5m ($200m), compared with £103m previously, brought a curt and almost immediate response from BMP.

"We have no hesitation in rejecting it," said BMP, adding that shareholders would not receive the final dividend of around 10p (gross) if the bid was successful, and that the offer was therefore worth only 335p a share.

BDDP, however, quickly moved into the market, attempting to add to the group's 10.5 per cent stake in BMP. By the close, SEAQ showed a trading volume of 2.2m shares, and BDDP is believed to have added about 2 per cent to its stake. BMP shares rose from 331p to 343p.

Yesterday, Mr Jean-Claude Boulet, head of the French advertising agency group, said that the decision to raise the offer was based on the "quality and creative reputation of BMP's companies" and the "reassurances which we have received from our direct contacts with a number of major clients of BMP that our strategy . . . will be favourably received," rather than on BMP's recently-announced figures for 1988-9. Analysts, however, had never viewed the 300p a share offer as more than a sighting shot.

There has been much speculation as to whether other agency groups would enter the fray once BDDP revised its offer, or whether BMP would seek a "white knight" – with the likes of Omnicom being strongly tipped. Asked about the latter possibility yesterday, BMP said it was trying to remain an independent company and there were no "white knight" discussions.

One agency group, the Swiss-registered TBWA company, has already picked up a 2.6 per cent interest in BMP. Its advisers – expressing no surprise at the revised terms – said only that "every option remains open" in the light of the new BDDP offer.

The new BDDP offer has been declared final but the group reserves the right to revise its terms in the event of a competitive situation.

It says that funding for the new offer is broadly in line with that proposed for the original bid – with the three categories of equity, mezzanine and debt funding increased in equal proportions. Its advisers add that the banking covenants – concerning the likes of cash-flow and interest cover – are unchanged.

Murdoch enters Spanish TV race

By Peter Bruce in Madrid

MR RUPERT Murdoch, the international media magnate, has made a late and surprise bid to enter the race to win one of three private Spanish television channels about to be licensed by the Government.

Mr Murdoch has joined forces with a local magazine publisher, Grupo Zeta, in one of the five consortia likely to have applied to the Government for a television licence when applications close early next week.

He has taken a 25 per cent stake, the maximum allowable to foreigners, in Univision Canal 1, following the withdrawal from the consortium of the French television channel TF1 and Mr Giancarlo Parretti's Pathe group. Grupo Zeta, which is leading the consortium also has a 25 per cent stake.

The race to win one of the three channels on offer has also attracted the Italian entrepreneur, Mr Silvio Berlusconi, who has joined forces with Anaya, a publisher of educational books, ONCE, the national organisation for the blind, and other institutional investors.

Mr Berlusconi also has 25 per cent of the consortium, Gestevision-Telecinco.

Prisa, the publisher of the daily newspaper El Pais, has lready submitted a bid to the Government along with Canal Plus of France to provide a Pay-TV programme.

They have been joined by a number of major Spanish banks and financiers.

The Big Barcelona newspaper, La Vanguardia, has linked up with the Antena 3 radio network to make a fourth bid and a fifth, Canal C, was presented in Madrid yesterday by a group of 25 businessmen, most of which come from Catalonia.

Despite the last-minute clamour to take a place among the bidders for the channels, most competitors have great doubts about the future of private television in Spain.

The Government is simultaneously creating a string of regional channels that will eventually have to compete with the new private operators for a slice of the relatively small advertising market.

Hugo Boss pays more, plans scrip and rights

By Andrew Fisher in Frankfurt

HUGO BOSS, the West German men's fashion company, yesterday gave details of its promised dividend increase after a sharp rise in profits for 1988 and said sales had shown a further advance in the first few months of 1989.

Holders of the quoted preference shares will receive a DM22 payment compared with DM20 the previous year, while the dividend on the ordinary shares will be DM20 against DM18 a share.

Boss, which has already said that net profits last year rose by 49 per cent to DM33.6m ($18m), is also making a one-for-three scrip issue.

The Boss brothers, Uwe and Holy, currently hold all of the ordinary shares, but are selling 20 per cent of this stock for personal reasons, including future inheritance taxes, and to create a wider market in the equity.

The ordinary shares would be priced at DM1,720 apiece, Boss said yesterday. This will raise DM80m for the brothers, with the shares to be issued by a consortium led by Commerzbank on May 16 and 17.

The price compares with a price of DM1,545 for the preference shares yesterday, down by DM19 on the previous day.

Terms of a planned rights issue will be revealed later, with the proceeds helping to pay for the recent purchase of Joseph & Feiss, the US clothing firm. With the acquisition, Boss will have a US turnover of around $200m.

Total group sales last year increased by 14 per cent to DM598m; foreign business was 42 per cent higher, accounting for two-fifths of the total. But domestic sales stagnated as a result of the decision to reduce retail outlets and prevent damage caused by discount trading in Boss products.

● BMW, the West German luxury car group, reported unchanged provisional parent company net profit of DM375m ($197.4m) in 1988. The group plans to pay an unchanged dividend of DM12.50 per share, writes Our Financial Staff. Group results were not given.

State speeds up FFr1.5bn Crédit Lyonnais funding

By Paul Betts in Paris

THE FRENCH Government has decided to accelerate the injection of new capital funds into Crédit Lyonnais to enable the large nationalised bank to meet the Cooke Committee prudential ratio requirements.

Mr Pierre Bérégovoy, the Finance Minister, announced last night that he had asked the Caisse des Dépôts et Consignations, the state-owned credit institution, to subscribe to a FFr1.5bn ($233m) capital increase for Crédit Lyonnais.

Mr Beregovoy indicated that further capital increases would be backed by the Government to help Crédit Lyonnais to meet its prudential ratio requirements between now and 1992, in line with the bank's increased lending.

Mr Jean-Yves Haberer, the new chairman of Crédit Lyonnais, had indicated in recent weeks that he was actively negotiating with his state shareholder ways to enable his bank to raise the necessary capital to meet the new ratios.

As a nationalised bank, Crédit Lyonnais is handicapped in tapping the financial markets for equity funds in contrast to privatised banks like Société Générale.

For this reason, the government has been working out new instruments and devices to enable state groups to raise fresh capital.

Crédit Lyonnais has reported a 7 per cent fall in net profits last year to FFr2.06bn because of losses at its UK securities operations and a surge in provisions for bad debts.

SGS confident of record net earnings for year

By William Dullforce in Geneva

SOCIETE GENERALE de Surveillance, the Swiss inspection services group, expects to improve this year on 1988's record net earnings of SFr124.6m ($73.7m), Mr Philippe de Weck, its chairman, said yesterday.

First-quarter results were ahead of those for the first three months of 1988 and in line with the forecast. Mr de Weck noted, however, it was the last quarter that traditionally exerted the greatest impact on group returns.

SGS, the world's biggest control and pre-shipment inspection group, rebounded from a 1987 setback to record a 7.4 per cent increase in fees to SFr1.68bn in 1988 and posted a 17 per cent climb in consolidated net profit.

The ratio of net earnings to fees at 7.4 per cent was the highest for 10 years. Earnings per share came out at SFr276 compared with SFr236 in 1987 and SFr258 in 1986. The proposed dividend rises from SFr93 to SFr105 a share.

Mr Patrick Rich, its new managing director, has reorganised SGS over the past two years, decentralising management responsibilities, introducing a quality programme based on Japanese techniques and building up new activities.

The fastest growth within the group has been in financial and insurance services where fees advanced, mainly by acquisitions, from SFr34m in 1981 to SFr390m last year.

WestLB declines 15.2%

By Haig Simonian in Frankfurt

GROUP PARTIAL operating profits at Westdeutsche Landesbank (WestLB), West Germany's fourth biggest bank, fell by 15.2 per cent to DM793m ($417m) last year from DM935m in 1987 as a result of lower interest earnings and appreciably higher costs.

Group full operating profits, which included gains from trading on the bank's own account, declined by a lower margin to DM930m, from DM1bn in 1987, thanks to improved trading profits, according to Mr Friedel Neuber, WestLB's chief executive.

Group earnings in the first quarter this year continued the downward trend, with a fall in full operating profits to under DM200m, from DM240m for one quarter of 1988, he said. As a result, the bank forecast that full group operating profits for the full year were likely to be about DM100m less than in 1988, largely on account of the rise in domestic interest rates.

Group total assets increased by 8.2 per cent to DM165bn.

Gateway sees profit of £213.7m

By Nikki Tait in London

GATEWAY, Britain's third largest food retailer which is fighting a £1.73bn ($2.87bn) hostile leveraged bid from the newly-formed Isosceles company, yesterday estimated a pre-tax profit of £213.7m in the 52 weeks to April 29 and claimed it demonstrated the "inadequacy of the offer."

The figure compares with £185.8m recorded in the previous 53-week period.

Unusually, Gateway has released the figures 24 hours ahead of its first formal defence document.

It said it wished investors and the market to concentrate on trading progress before moving on to arguments involved in the bid.

The figures are better than the £190m to £200m that most analysts were predicting, but some were suggesting yesterday that the discrepancy was largely due to a lower than expected interest charge, with the actual trading results only slightly ahead of forecasts.

Gateway shares closed unchanged at 195p, in line with the Isosceles cash offer.

The estimated trading profit from Gateway Foodmarkets, the core UK supermarket and superstore business, plus the Medicare chain is £190.8m (£172.1m).

Lex, Page 20; Asda stake, Page 28

Buoyant opening quarter for Sandvik

By Robert Taylor in Stockholm

SANDVIK, the Swedish cemented carbide and special steels group, yesterday announced an 18 per cent rise in first-quarter profits (after financial items) to SKr705m ($109.4m) from SKr600m a year earlier.

The value of Sandvik's order books rose by 16 per cent to SKr5.1bn over the year to end-March, while invoiced sales continued to grow impressively from SKr4.66bn to SKr3.85bn.

Yesterday the group said the strong sales position would be maintained throughout 1989. It expects invoiced sales to reach SKr18bn to SKr19bn, against SKr16.4bn in 1988.

Sandvik also made it clear that profits (after financial items) for the whole of 1989 should be as high as last year when they totalled SKr2.81bn.

However, to judge by yesterday's figures the group may be taking a rather over-cautious view of its profit prospects for 1989.

A breakdown of Sandvik's performance in its different divisions underlines the bouyancy of the market.

Steel division sales jumped 33 per cent from SKr1.23bn to SKr1.64bn in the first quarter from a year earlier, while in the cemented carbide division sales rose 18 per cent from SKr2.18bn to SKr2.41bn.

Sandvik said that "even if the consumption-driven element in the boom would appear to have passed its peak, there is at present a strong investment current that is boosting demand for a large proportion of the group's products."

Mr Per-Olof Eriksson, president, told shareholders that the results would enable Sandvik to "consider an increased range of alternatives for future action."

● Esselte, the Swedish office equipment concern, suffered a fall in first-quarter profit (after financial items) to SKr191m ($29.7m) from SKr217m. But the directors repeat earlier forecasts of 10 per cent growth on 1988's profit of SKr922m.

HDTV report urges US to view wider picture

Louise Kehoe on calls for government funding

The US electronics industry's proposal for a $1.35bn government-sponsored programme to capture the lion's share of the anticipated $40bn market for high definition television (HDTV) products, received a muted response in Washington this week.

HDTV supporters in the capital had hoped that the industry would submit a relatively simple proposal for one or more industry consortia, to be jointly funded by member companies and the US Government, following the model established by the US semiconductor industry's Sematech consortia.

Instead, what the industry has presented to Congress is a far more complex and politically-sensitive scheme to rebuild the US consumer electronics industry, based on an unprecedented level of US Government-industry collaboration.

The problem, it appears, is that US electronics manufacturers are not prepared to commit to investments in HDTV development and manufacturing unless and until the Government is willing to underwrite their efforts.

Industry officials said the formation of one or more industry consortia now appeared to be premature. Some companies were interested, but awaited a high-profile industry leader. Strong leadership from the Administration would motivate the formation of such industry consortia, they added.

The industry report's authors provide a blueprint for the formation of a major new manufacturing industry sector. First, the report suggests, the US Defence Department should provide $300m in research and development grants to US companies and groups of companies in order to "plug the gaps" in the existing US technology base.

Central to the plan is the formation, this year, of "ATV Corporation," a government-appointed management group representing industry, academia and government, to guide overall advanced television strategy. ATV would administer a $1bn programme of government loans and loan guarantees and also receive funding from the US electronics industry.

In 1991-1994 the plan envisages the formation of several "ATV ventures" backed by government loans and private investment to begin the design and manufacture of HDTV products and components.

Also in this time frame, the plan calls for ATV to support the formation of an advanced video cassette recorder manufacturing venture.

ATV would also manage major marketing programmes designed to entice consumers to buy HDTV receivers and related products.

The scope of the plan is huge, raising serious concerns about its ultimate cost. Some industry analysts fear that HDTV would require long-term government support well beyond that proposed in the industry plan.

Yet it is clear that without government support US companies would be reluctant to undertake any significant investment in HDTV.

"US companies lack advanced television technologies and the related manufacturing, marketing, supplier and distribution infrastructures," the report states. "They face multi-national company consortia in Europe and a similar effort in Japan, where government is supporting . . . various initiatives."

An industry-government partnership is essential because profit margins in the HDTV industry are expected to be very low and the investment required to build up an industry infrastructure is very high, the report states.

There is no assurance that US consumers will want to buy expensive new HDTV sets. Why then should the US Government undertake a massive effort to promote HDTV?

What is at stake, electronics industry officials claim, is far more than a new generation of television sets with higher quality pictures. HDTV, they say, represents "a fundamental new imaging technology with long-term and far-reaching competitive implications "that will eventually impact the entire electronics industry, the largest manufacturing sector in the US economy."

Most electronics experts agree that eventually there will be a merger of communications, computers and entertainment technology. Opinions differ, however, on whether the leaders in computer or consumer electronics stand to gain as the industries merge.

What few doubt is the industry claim that "the resulting electronics-based industries may well underlie the world's economy and shape it's political organisation in the 21st century." The US, they argue, cannot afford not to enter the HDTV business.

NatWest lifts stake in Spanish unit

NATIONAL Westminster Bank is to increase its stake in Banco NatWest March, its Spanish banking subsidiary, to 83.6 per cent from 47 per cent, writes David Lascelles, Banking Editor.

The subsidiary's name may also be changed to reflect the new ownership structure.

NatWest is acquiring the additional stake from Grupo March which also previously had 47 per cent (the remainder is owned by management). As a result, the Grupo March stake will fall to 10 per cent.

The acquisition follows the relaxation by the Bank of Spain on temporary limits on foreign bank ownership imposed after crises earlier this decade. The acquisition by Grupo March of Banco Urquijo Union, a competing bank, had also strengthened the case for a restructuring of ownership.

The price of the deal was not disclosed, but reports in Madrid cited a sum of Pta15bn.

Banco NatWest March has 161 branches. It registered pre-tax profits of Pta2.29bn ($19.3m) for 1988 and had total assets of Pta261.7bn at end-1988.

INTERNATIONAL COMPANIES AND FINANCE

Newmont shuffles debt in Gold Fields defence move

By James Buchan in New York

NEWMONT MINING, the large US gold producer just under half owned by Consolidated Gold Fields of the UK, plans to transfer $425m in debt from its own books to its coal subsidiary, Peabody Coal.

The plan, which will give Newmont cash reinforcements in the thick of a furious battle for control of Gold Fields, intrigued and puzzled Wall Street and the City of London yesterday. It was not clear whether the money would be used to reduce Newmont Mining's crippling debt burden or to help Gold Fields, which is trying to fight off a £3.5bn ($5.84bn) takeover from Minorco, a South African controlled investment group.

A New York court yesterday put on hold a request by Newmont Mining that it declare Minorco in contempt of court. Newmont is trying to block the Minorco takeover of Gold Fields in the US courts on anti-trust grounds.

Newmont, which owns 49.97 per cent of Peabody Coal, said yesterday the coal group – North America's largest – would buy out its four minority shareholders for about $518m. Boeing, Bechtel Investments and Eastern Enterprises, each with 15.01 per cent, have agreed to sell, while a fourth shareholder is considering the offer.

Newmont Mining will then take a $425m special dividend out of Peabody and sell 50.03 per cent of the company to the Wall Street firms advising on the transaction, Salomon and Shearson Lehman Hutton. The two firms are paying only $75m for their half because the coal company, though it is profitable at a rate of about $100m a year, will be plunged deep into debt by the recapitalisation.

At the end of the transaction, Newmont will still own 49.97 per cent of Peabody Coal.

The deal will provide much needed cash to Newmont, which has been struggling with a devastated balance sheet since it borrowed more than $2bn to escape a takeover in 1987. Mr Gordon Parker, chairman of the Denver-based company, said the deal would "pay down a significant portion of Newmont's debt."

Newmont stock rose $¾ to $41 yesterday morning as Wall Street mulled the proposal. "The big question is what are they going to do with the money," said Mr Ronald Shorr, an analsyt at Bear Stearns.

Mr Blake Thomas, a Kansas investment adviser, said: "They could have done this any time. Why do they choose now to improve their balance sheet?"

Farmers applies for exemption from price cuts

By Nick Bunker

LOS ANGELES-based Farmers Group, part of the UK's BAT Industries, has joined the queue of insurers sending in formal applications for exemptions from the 20 per cent premium rate roll-backs required under California's Proposition 103 insurance price cutting measure.

In doing so, Farmers revealed how unprofitable some of its underwriting has been, by throwing open its books in evidence to the California insurance commissioner.

Even after adding in investment income, the insurance exchanges managed by Farmers made a profit on Californian automobile policies in only one year since 1984. Farmers said the filing was an opportunity "to demonstrate the fairness of our current rates," which it wants to retain.

Last week, the California Supreme Court ruled that insurers can be exempted from the roll-back if they prove that implementation would deny them a fair rate of return.

Lorenzo's hopes rise with Eastern shuttle bid war

By Roderick Oram in New York

MR FRANK LORENZO'S hopes of hanging on to at least part of Eastern Air Lines have risen with the prospect of a bidding war for the carrier's shuttle service and offers to buy other assets.

The offers, which a New York bankruptcy court will consider next week, would put Mr Lorenzo, chairman of Texas Air, Eastern's parent company, about half way towards his goal of selling $1.8bn of the bankrupt carrier's assets.

He wants to substantially slim down Eastern so it can resume full service and leave the protection of the bankruptcy court. The presiding judge has been trying to encourage a buyer for the complete airline in case Mr Lorenzo fails to develop a credible restructuring plan. A two-month old strike by its machinists, backed by its pilots, has forced it to virtually shut.

The biggest offer to date is by America West Airlines, a new, fast expanding carrier based in Arizona, for Eastern's Boston-New York-Washington shuttle. It has raised its offer to $415m for ground facilities and 21 aircraft. Alternatively it would pay $365m for the facilities alone leaving Eastern to raise up to $80m from selling the aircraft separately. America West also wants to buy 10 Boeing 757 airliners from Eastern for $336m.

It had earlier bid $390m for the shuttle complete with aircraft and $336m for the 757s, topping a $365m bid for the shuttle's ground assets and 21 jets from Mr Donald Trump, the New York investor.

Mr Trump was on the verge of completing the deal before Eastern filed for bankruptcy protection. The court must now chose the offer best for Eastern's creditors, giving America West a chance to beat Mr Trump. His colleagues have said he will not raise the offer but Wall Street doubts he will walk away from the deal.

In other bids, USAir has offered $525m for 15 757s, three US-Canadian routes, a number of airport gates and two maintenance depots. The only bidder so far for all of Eastern is Mr William Howard, former chief executive of Piedmont Airlines.

Chemical sets sights on MCorp's 20 banks

By Karen Zagor in New York

CHEMICAL BANKING, holding company for the sixth largest US bank, has said it is seriously considering making a bid for the 20 Texas-based MCorp banks which were seized by the Federal Deposit Insurance Corporation in March.

The MCorp banks, which have been called the Deposit Insurance Bridge Bank since the FDIC seizure, have assets of about $13bn, making Bridge Bank the third biggest Texas banking company.

The logic behind Chemical's bid is that the Houston-based Bridge Bank would complement Chemical's Dallas-based Texas Commerce, which the New York bank acquired in 1987 for $1.19bn.

Chemical, like the other potential bidders for Bridge Bank, is hoping that the Texas economy will recover from the plunge in oil prices in the mid-1980s.

Chemical has already completed one big acquisition this year. In January it bought Horizon Bancorp of New Jersey for $650m. The New Jersey bank has assets of about $4.5bn.

Other possible industry suitors for the failed banks include First City Bancorp of Texas, Wells Fargo of California, Barnett Banks of Florida, Banc One of Ohio and NCNB, the North Carolina bank.

MCorp has also attracted interest from Kohlberg Kravis Roberts, the US takeover specialist, and the Pritzker family of Chicago.

The banks were seized by the FDIC after they were declared technically insolvent by the Office of the Comptroller. MCorp, which was left with five banks, filed for protection under Chapter 11 of the US bankruptcy law.

Mr William Seidman, FDIC chairman, said he would like to see the process completed by July.

US press reports gave May 22 as the date when bids would be accepted for the MCorp banks. The FDIC would neither confirm nor deny that date.

Esso Italiana hits at government delay on lead-free prices

By John Wyles in Rome

ESSO ITALIANA, the subsidiary of the US energy group, yesterday cast an unusual vote of no-confidence in the Italian Government, saying it would no longer launch any medium- or long-term investments on the basis only of political assurances that certain policies will be put in place.

Mr William Barnes, the company's president, and his senior colleagues were in bitter mood as they unveiled 1988 results, which showed a recovery from the L67bn ($48m) losses of the year before.

Although sales remained virtually static at L3,130bn, against L3,117bn in 1987, the company showed a net profit of L29bn, which management said should be read as break-even because L21bn had been raised through asset sales.

Esso's strongest complaints against the Italian Government arise from the fact that petrol pump prices remain subject to official controls.

The company says it has invested L100bn in new plant to produce lead-free petrol, partly on the basis of official undertakings given in 1985 that a price differential in favour of lead-free petrol would be introduced by April this year.

The lead-free plant is standing silent, however, because "nothing is being done to encourage the consumption of lead-free petrol, the true precondition for a less polluting motor car population," said Mr Barnes.

Mr Giorgio Ruffolo, the Environment Minister, said last week he would bring a proposal to cabinet to give lead-free a price advantage "within the next week or two."

However, the failure to do so sooner "damages a relationship of trust which must exist in a modern economy between the industrial world and the institutions," commented Mr Barnes. He added that Esso would delay anything other than short-term investments until government energy policy decisions were translated into firm policies.

The company's other charge is that the Government is failing to act according to a law which requires it to authorise increases in petrol pump prices in line with average price changes in five other European countries. The most recent weekly index required an L18 per litre price rise, but the government authorised only L14.

Commenting on the 1988 results, Mr Edoardo de Pedys, the company's vice president, said financial charges had risen from L61bn in 1987 to L81bn because of the size of losses in 1987, and also partly because Italian interest rates had been pushed up to the highest level among industrialised countries.

The final complaint was the requirement that production taxes should be paid before the producing company had recovered them from its customers.

● Agip, Italy's state-owned petroleum company yesterday reported a fourfold rise in profits to L503bn on sales of L8,860bn – some L633bn lower than in 1987.

LTV-Sumitomo plan mill

LTV, THE second largest US steelmaker which is operating under Chapter 11 of the US bankruptcy code, plans to build a $200m steel finishing mill in a joint venture with Sumitomo Metal Industries of Japan, writes James Buchan in New York.

The deal, the latest in a five-year string of US-Japanese steel joint ventures, will set up an electrogalvanising plant in Columbus, Ohio. The plant will deliver 340,000 tons a year of corrosion-resistant sheet to the motor industry, including Japanese "transplants."

The two companies are already operating an electrogalvanising plant in Cleveland.

Mr David Hoag, chief executive of LTV's steel division, said: "The partnerhsip between LTV Steel and Sumitomo again demonstrates our fundamental commitment to our automotive customers, both American and Japanese, to invest in the facilities and technologies needed to meet their changing requirements."

INTERNATIONAL COMPANIES AND FINANCE

HK keeps Bond's name in lights

John Elliott on how property deal proceeds may head for Australia

Hong Kong's 46-storey Bond Centre, which became wholly Japanese owned in a deal struck on Wednesday night, will continue to carry the name of Mr Alan Bond, the Australian entrepreneur, at least until June 30, 1997 when the colony reverts to Chinese sovereignty.

Mr Bond secured this symbolic date in a surprise agreement with EIE Development (International), the Hong Kong arm of a Tokyo development company.

EIE has paid Bond's Hong Kong company just under HK$2.26bn (US$289.7m) for the half of the office development it did not already own. The name is meant to stay even if EIE sells the building.

Bond executives in Hong Kong and Australia are now considering how to transfer some or all of Bond's HK$1.76bn proceeds from the deal to the beleaguered Bond Corporation Holdings in Australia, which has a debt mountain upwards of A$5bn (US$4bn).

"The deal shows the willingness of the group to sell assets," said Mr Peter Lucas, managing director of Bond Corporation International (BCIL) of Hong Kong which is 66 per cent owned by the Perth-based Bond Corporation.

"We have cash in our hands but no decision has been made on what to do with it, though there is pressure on the Australian company to demonstrate its financial capacity."

Mr Lucas said that one possibility was for BCIL to purchase assets from the Australian company. Another route would be to pay a large dividend, although this would also have to be given to BCIL's 34 per cent minority shareholders.

Bankers suggested that Bond Corporation and BCIL could also form a joint venture using BCIL finance and the parent's assets, or that Bond Corporation could borrow funds from BCIL.

Ashley Ashwood

Hong Kong's 46-storey Bond Centre: valued by the deal at HK$5.65bn

Mr Bond is not popular with his BCIL minority shareholders following an unsuccessful attempt to buy them out

The minority holders could now want to exert collective pressure on him over what happens to the proceeds when an extraordinary meeting is called to approve the sale.

But their potential may well have been weakened because HKR Properties, a local development company which spearheaded the minorities' cause, said yesterday that it had disposed of most of its stake and was no longer a significant shareholder.

The deal values the Bond Centre at HK$5.65bn and EIE has agreed to pass on one third of any excess if it sells all or part of the centre within six months of completion. Most property experts said yesterday this was a good price for so large a property. Two local companies, including New World Development, are believed to have offered a lower figure. Some stockbrokers felt, however, that in Hong Kong's booming property market Mr Bond should have stood out for more.

After allowing for HK$1.1bn of external debt on the whole of the building, BCIL's proceeds amount to HK$2.26bn less a further HK$500m of its own debt. This means it will realise HK$1.76bn, of which HK$1bn is to be released when bridging facilities have been arranged on or before the final completion date of June 26.

BCIL now has no significant assets in Hong Kong. It owns 50.2 per cent of a Chilean telephone company, 50 per cent of an Italian property development site in Rome, and 85 per cent of a south China brewery.

It is considering purchasing a couple of small properties in Hong Kong to demonstrate, as Mr Lucas put it yesterday, that "we are not leaving Hong Kong."

Asked why the June 1997 date had been chosen, Mr Lucas said: "No special reason – it's about 10 years away!"

BCIL also has an 18-year lease on two top floors of part of the Bond Centre and a joint venture management contract on the building with First Pacific Davies (Hong Kong) which continues.

But while the name Bond may continue to be seen in neon lights on top of what is one of Hong Kong's most architecturally impressive buildings, the local stock market yesterday gave its response by marking down BCIL shares from HK$2.375 to HK$2.125 on a day when the local Hang Seng index reached a post-crash high of 3,285.98.

Holmes à Court raises bid for Sherwin

By Chris Sherwell in Sydney

THE BATTLE for Sherwin Pastoral, the big Australian livestock and rural property group, sharpened further yesterday when the entrepreneur Mr Robert Holmes à Court suddenly topped a newly-raised offer from Bankers Trust Australia.

At the same time Mr Holmes à Court and two Bankers Trust nominees secured seats on Sherwin's board after ousting an ally of Mr Peter Sherwin, the founder. The moves came at the group's AGM.

The offer from Mr Holmes à Court, who already holds 19.9 per cent of Sherwin, was A$1.15 per share, which values the group at just over A$84m (US$66.6m). Bankers Trust, which has around 23 per cent, had this week lifted its bid to A$1.12 from A$1.08.

This was itself an increase on its earlier bid of A$1.05, which in turn topped a conditional offer by Mr Holmes à Court of A$1.02 and an Elders IXL offer of just 88 cents a share, both of which lapsed.

Mr Sherwin has held on to his 33.5 per cent share of the company and continues to fight a rearguard action. Yesterday's events make it increasingly likely that he will lose control.

Sherwin's disappointing performance stands in sharp contrast to its counterpart, Stanbroke Pastoral, which is owned by the AMP and recently announced a record after-tax profit of A$10.5m for the year to December and delivered a handsome A$10m dividend.

Koito moves to stave off Boone

By Stefan Wagstyl in Tokyo

KOITO Manufacturing, the Japanese vehicle lighting company in which Mr T. Boone Pickens, the Texan corporate raider, has taken a $1bn-plus stake, has reinforced its anti-takeover defences.

The Japanese group has appointed six new directors to its board to impress on Mr Pickens its intention to stay out of his control. Mr Pickens, who has bought a 20.2 per cent stake in Koito through his private investment company Boone Co, had earlier asked for board representation.

Koito turned down this demand. This week it also rejected a request by Boone to send more than one representative to the Koito annual meeting due to be held on June 29. Koito is closely affiliated to Toyota Motor, Japan's largest car maker, which holds a 19 per cent stake and nominates three board members.

Meanwhile, Boone this week rejected a request from Koito asking for details about how it acquired its stake. Boone said there was no US regulation requiring such disclosure so Koito's request was discriminatory.

Boone acquired its 32.4m shares from Mr Kitaro Watanabe, a Japanese stock market raider who heads Azabu Motor and Azabu Construction, car import and property companies. Mr Watanabe earlier unsuccessfully tried to sell his stake to Toyota in a greenmail operation. It is widely believed in Tokyo that Mr Watanabe's sale of shares to Boone is covered by a repurchase agreement.

Meanwhile, the Ministry of Finance is continuing to investigate the way in which Azabu Motor acquired its stock in the first place. The ministry believes Azabu infringed a law which came into effect last October, requiring holders of stakes of 10 per cent and more to disclose them.

Azabu held some of its shares outright and some through margin transactions, in effect bought on credit at stockbrokers.

Nevertheless, the ministry suspects the 10 per cent level was breached before the shares passed to Boone.

Under the law, any profits made on the sale of illegally-held shares made within six months of the purchase can be claimed back by the target company, in this case Koito.

Toyota Loom advances 21%

By Robert Thomson in Tokyo

TOYOTA AUTOMATIC Loom Works, the earliest of the Toyota Motor group of companies, yesterday reported a 20.8 per cent increase in annual pre-tax profit to Y22.07bn ($164.2m), following strong domestic demand and a surge of 43.7 per cent in textile machinery sales to south-east Asian countries.

The company, whose interests include the manufacture of forklifts and the assembly of engines and vehicles, said sales rose 18.9 per cent to Y437.4bn in the year to March. Automobile assembly business was sluggish, though the automobile division was buoyed by demand for diesel engines, and reported an 11 per cent increase in sales.

Strong domestic demand was behind a 23.5 per cent rise in industrial vehicle sales, while revenue from automotive air-conditioner compressors rose 21.3 per cent. The company said profit figures were hindered by increased personnel costs, foreign exchange losses and a smaller contribution from purely financial items.

Three years ago, Toyota Motor gave way to a greenmail attempt on Toyota Automatic Loom by Nippon Tochi, ostensibly a property group, which had acquired 17m shares in the company. Since then, the company has undergone rationalisation in which it has been aided by rapid growth in the domestic economy, as have other companies in the Toyota group.

Toyota Auto Body, an affiliate of Toyota Motor specialising in the assembly of compact cars and commercial vans, reported its first rise in profits since 1985, up from Y5.21bn to Y6.02bn before tax, and sales increasing from Y289.15bn to Y316.45bn. However, the company expects demand for vehicles to slacken this year, in particular for trucks, and is predicting that pre-tax profits will increase only slightly to Y6.05bn.

Toyoda Machine Works, a machine tool maker with Toyota Motor as its largest shareholder, announced that pre-tax profit for the year jumped 30.4 per cent to Y5.30bn on a 15 per cent increase in total sales to Y133.28bn. Sales of machine tool rose 14.7 per cent and of automobile parts 15.6 per cent.

Kanto Auto Works, a car assembler and another affiliate of Toyota Motor, reported a 21.7 per cent lift in pre-tax profit to Y6.54bn for its year to March. Sales increased 4.4 per cent to Y334.97bn, basically because of strong sales of Toyota vehicles in the Japan's private car market. Commercial sales fell during the period while, for the current year, total sales are expected to rise 4.5 per cent.

INTERNATIONAL CAPITAL MARKETS

Eurotunnel units break new ground

Katharine Campbell on the latest tailor-made equity derivative

The nascent market in tailored equity derivative products took another bold step forward this week with Salomon Brothers' covered warrant on Eurotunnel units, the first such over-the-counter product on UK shares.

Salomon's London operation has issued 40m three-year warrants priced at 21.5p, which allow the holders to exercise 10 warrants for one Eurotunnel unit once the units reach a price of £12.

The units, which were issued by Eurotunnel at the end of 1987, were trading at about £8.45 ($14) when the new instruments were launched on Wednesday. The warrants are covered in the sense that Salomon guarantees to furnish the holders with units as and when they wish to exercise, and the warrant purchasers thus assume Salomon credit risk.

Tailored equity derivatives have received increasing prominence in recent months, particularly through warrants issued on stock indices. A market in covered warrants on individual stocks also exists, hitherto largely confined to Japanese and US stocks, typically repackaged to appeal to the Swiss retail market.

Several London brokers and fund managers heralded the Eurotunnel deal as the first of a number on UK shares, although the market will be limited, among other things, by the number of potential issuers boasting a sufficiently good credit rating in investors' eyes.

Salomon explained that the high price of existing warrants indicated a demand for a geared vehicle for gaining exposure to Eurotunnel. The existing warrants, which were given away by Eurotunnel when the units first came out, were trading yesterday at around 66p, compared with 25p for the new ones.

A number of investors had apparently taken the opportunity to switch from the old to the new warrants. Because the new instruments are so far out-of-the-money (the current unit price is safely below the exercise price) they are more highly geared – about four times compared with about 1.3 times for the original vehicles.

The characteristics of the Eurotunnel venture make it a peculiarly appropriate vehicle for such warrants. For one thing, Eurotunnel is full of unknowns – including whether it will ever open – making the stock essentially speculative and option-like in its trading pattern.

In addition, it pays no dividend until the tunnel opens, currently scheduled for 1993, so that unit holders generate no income on their positions, adding to the attractions of being a warrant holder.

Most observers believe the issue was reasonably priced, even if rather far out-of-the money. Several London analysts forecast a price of more than £20 for Eurotunnel by 1993, although the stock is impossible to value accurately.

The main risk for warrant holders who are in for the duration is that the stock closes in May 1992 at £11.99, in which case their warrants expire worthless. On the other hand, because the stock is not yet widely held some fund managers might well view the warrant as a cheap insurance policy against dramatic appreciation of a stock in which they do not yet have a position.

At the same time, many investors would be taking a much shorter-term trading view, following fluctuations in volatility.

For Salomon as the issuer, the route to profitability is successful risk management of its exposure to 4m Eurotunnel units. The most obvious hedging tool is clearly the units themselves, although the old warrants, as well as a Eurotunnel option just introduced in Paris, are conceivable alternatives.

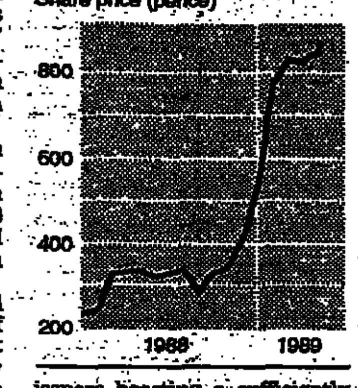
Because the warrants are deeply out-of-the-money, the number of units Salomon would need to hold to protect their exposure at the moment would be low, around 1m shares. If the price increases dramatically, though, that relationship would change, which is where artful hedging comes in. Although Salomon is not prepared to comment on the size of its underlying position in units, market traders guessed they held a position of between 1m and 2m shares.

The technique of writing covered warrants can be a profitable way of helping finance a core holding of stock, because the issuer takes in premium at the start (£8.6m in Salomon's case), thus generating income, establishing some protection if the value of the stock falls, while keeping at least a good proportion of the upside gain.

Mr Quintin Price, of options brokers James Capel, saw a wider field of issuers beyond the investment banking community. He said: "Increasing knowledge of derivatives among the more aggressive UK fund managers will, we hope, promote further issues of this kind by institutions which have substantial holdings of UK stock they wish to protect."

Eurotunnel

Share price (pence)



Norsk Venture to have NKr600m in initial capital

By Karen Fossli in Oslo

NORWAY'S state-backed venture capital group, aimed at promoting local manufacture, is to have an initial capital of NKr600m ($87.2m), the Government announced yesterday.

The group, called Norsk Venture, will be 49 per cent state owned. The balance of capital will be raised via a public share issue planned for next month.

Norsk Venture will invest in new companies with high growth potential in sectors which compete with foreign suppliers. Its formation was first proposed last November.

Private investors subscribing to the share issue will qualify for tax breaks.

A consortium led by Industribanken, the state-owned investment bank, and local broker Fondsfinans will underwrite the issue.

Norsk Venture will have a two-fold investment strategy – research and development for new technology projects and the setting up of companies, management buy-outs and restructuring.

● Credit Capital Finance Corporation will shortly launch India's first private-sector venture capital fund. Development Capital, part of the Lazard group of the UK, will provide technical support for the Rs100m ($6.3m) fund to be called Credit Capital Venture Fund.

Commonwealth Development Corporation of the UK and Asian Development Bank are to take a 12.5 per cent stake each. Indian state-owned banks and financial institutions will have 21 per cent, with the remainder held by CFC and the public.

Commission rejects NZSE rules

THE COMMERCE Commission has refused to authorise some New Zealand Stock Exchange rules because they substantially lessen competition, Reuter reports.

The commission said it had not approved an exchange rule on net asset backing requirements, a rule restricting members from association with another stock exchange, and a requirement that the majority of directors of member companies should be individual members of the exchange.

Under the Commerce Act of 1986, the exchange has to submit its rules to the anti-trust watchdog for approval, a process which has only now been completed.

The commission said it "was not prepared to authorise without modification" the rule that NZSE members must observe "proper ethical standards".

Past behaviour indicated this rule had been used to enforce anti-competitive conduct and authorisation would be given only if the NZSE specified it would not interfere with competition, it said.

But the commission said it approved rules requiring brokers to trade through their own firm and on odd lots. It also cleared rules on disciplinary procedures, provided decisions were published.

Entry requirements for members were approved, except for a condition that they have net assets of at least NZ$100,000 (US$62,500). On listing requirements, the commission found that those on procedural matters were unlikely to lessen competition.

It said provisions requiring listed companies to use NZSE members to arrange share issues were exclusionary, but it authorised them because of the benefit to the public.

● ASB Bank and Primary Industry Bank of Australia have been granted registered bank status, the New Zealand Reserve Bank said.

It is considering four other applications for registration which subjects banks to reserve bank capital adequacy ratios. New Zealand now has 19 registered banks.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅛ 95	600	98	98⅜	-0¼	-0⅛	9.76
Austria 9⅝ 93	140	99¼	99¾	0	-0⅛	9.77
B.F.C.E. 7 92	150	92⅝	93⅛	0	0	9.94
B.F.C.E. 9¼ 95	150	96⅞	97⅝	-0¼	-0⅛	9.82
Brit. Tel. Fin. 9⅞ 98	250	97⅛	97⅝	-0⅛	0	9.79
Campbell Soup 9⅞ 93	100	†96¾	96⅞	0	-0⅛	10.07
Canada 9 96	1000	98⅛	98¾	-0¼	+0⅛	9.29
Canadian Pac 10⅜ 93	100	†101¼	102¼	-0¼	+0⅛	10.19
C.O.C.E. 9⅛ 95	300	97⅜	97⅞	0	0	9.79
C.N.C.A 9⅛ 93	150	98⅜	98¾	0	+0¼	6.77
Credit Lyonnais 9 91	200	†98⅛	98¾	0	+0⅛	9.91
Credit National 8⅞ 93	200	94⅞	95⅛	-0¼	-0⅛	9.88
Credit National 7⅞ 92	100	93⅝	94⅛	-0½	0	9.86
Credit National 9½ 92	160	99⅝	100⅛	-0⅛	0	9.51
Dai-Ichi Kan 9⅝ 92	150	98⅝	99⅛	-0⅛	-0⅛	10.00
Denmark 7¼ 92	500	92¾	93⅛	-0¼	-0⅛	10.08
E.E.C. 7 91	100	93⅝	94⅛	0	0	9.78
E.E.C. 7¼ 93	250	92	92⅜	+0⅛	+0⅛	9.76
E.E.C. 10 93	140	100⅝	101	-0⅛	0	9.70
E.I.B. 7⅝ 93	100	92	92½	0	0	9.77
E.I.B. 9¼ 97	150	98¼	98⅝	+0⅛	+0¼	9.63
Eurofima 10⅛ 93	100	†100⅞	101¼	-0½	-0¼	9.78
Elec. De France 9 98	200	95¼	95¾	0	-0⅛	9.77
Finland 7⅞ 97	200	89⅝	90⅛	-0¼	-0⅛	9.79
Finn. Exp. Cd. 8½ 92	200	96	96½	-0¼	-0⅛	10.06
Finn. Exp. Cd. 9⅛ 95	200	97⅜	97⅞	+0⅛	0	9.87
Ford Motor Credit 8 91	250	†96¼	96¾	-0⅛	+0⅛	10.13
Ford Mtr. Credit 10 92	200	†100½	101	0	+0½	9.67
Gen. Elec. Cap. Corp. 9 93	500	†96¾	97¼	-0¼	+0⅛	9.82
Gen. Elec. Cap. Crp. 10 1/2 91	300	100¾	101¼	-0⅛	0	9.85
Gen. Mtrs. Corp. 9⅛ 92	200	97¼	97⅝	-0⅛	0	10.10
IBM Credit Corp. 8⅞ 91	250	97⅝	98⅛	-0⅛	0	9.84
IBM Credit Corp. 9½ 92	250	99⅛	99⅝	-0⅛	+0⅛	9.73
Italy 9½ 95	1000	98¼	98¾	-0¼	0	9.80
Italy 9⅝ 99	1000	†97⅞	98⅜	-0⅛	-0½	9.92
L.T.C.B of Japan 8 91	100	95½	96	0	0	10.16
L.T.C.B. of Japan 9¼ 92	200	97⅝	98⅛	-0¼	-0⅛	9.96
Metropolis Tokyo 9½ 93	200	99⅛	99⅝	-0⅛	+0⅛	9.68
Nippon Tel. & Tel. 9⅜ 98	250	97¼	97¾	-0½	-0⅛	9.77
Norway 8¼ 93	500	96½	97⅛	-0¼	-0¼	9.79
Portugal 8¼ 91	300	†96¼	96¾	-0⅝	0	10.38
Prudential Crp. 8⅞ 94	125	96⅝	97⅛	0	+0⅛	9.53
State Bk S Aust 9¼ 93	100	†97⅜	97⅞	-0⅛	0	10.01
Sumitomo Bank 9⅝ 92	150	†98⅝	99⅛	-0⅛	-0⅛	9.99
Swed Exp Cred 7¼ 91	100	†94	94½	-0⅛	0	9.83
Sweden 7 91	250	93¾	94⅜	-0¼	0	9.88
Sweden 8¾ 96	200	95⅛	95⅝	-0⅛	-0⅛	9.69
Sweden 8½ 92	200	†95⅞	96⅜	-0⅛	-0⅜	9.91
Toyota 9½ 91	200	98½	99⅛	-0¼	-0¼	10.02
Victorian Rep 11⅝ 92	150	103⅜	103⅞	-0¼	0	10.15
World Bank 7 92	300	†93⅜	93⅞	-0⅛	0	9.75
World Bank 9 97	300	95⅞	96¼	0	-0⅛	9.69
World Bank 9 93	300	97⅞	98⅛	-0⅛	-0⅛	9.63
World Bank 9¾ 98	300	97	97⅜	0	-0¼	9.71
World Bank 9⅝ 99	500	98⅞	99¼	-0⅜	-0⅜	9.75

Average price change... On day -0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94½	95⅛	+0⅜	-1	7.16
Austria 6⅜ 99	750	96⅞	97⅛	-0¼	-0⅝	7.18
Bank of Tokyo 5⅜ 93	100	96⅝	97⅛	-0⅛	-0¼	6.70
Commerzbank o/s. 5⅝ 93	300	95⅝	96⅛	+0⅜	+0½	6.67
Credit Foncier 6¾ 99	500	96¼	96⅞	-0⅛	-0⅜	8.22
Degussa Int. 6⅛ 97	200	94⅝	95¼	0	-0¼	6.94
E.I.B 5½ 98	150	89¼	90	+0⅛	-0⅜	7.10
E.I.B. 6¼ 99	600	93½	93⅞	-0¼	-0⅝	7.16
E.I.B. 6⅛ 96	300	94⅝	95¼	0	-0⅜	7.06
E.I.B. 6½ 99	300	95⅛	95¾	-0⅛	-0⅜	7.17
E.I.B. 6⅞ 95	300	99⅛	99⅞	0	-0⅜	6.96
Euro. Coal & Steel 5⅞ 97	175	92⅜	93	-0⅛	-0⅜	7.12
Eurofima 6¼ 96	100	94⅝	95¼	-0¼	-0⅞	7.17
Elec De France 5¾ 97	300	93	93⅝	-0¼	-0⅛	6.86
Forsmark Krtg. 5⅛ 93	200	92⅞	93½	-0⅜	-0⅜	7.25
Hydro-Quebec 6¾ 99	300	96¾	97⅛	-0⅛	-0¼	7.20
Japan Dev. Bk. 5⅜ 95	300	93	93¾	-0⅝	-0⅝	6.76
Japan Finance 5¾ 97	100	91⅞	92½	+0¼	-0⅝	7.07
Ireland 6½ 97	300	95⅜	96	-0⅛	-1¼	7.20
Malaysia 6¼ 94	150	97⅝	98¼	0	-0⅞	6.75
Nat. West BK. PLC 6 98	300	92¼	93	-0⅛	-0⅞	7.14
N.H.L. Finance 6¼ 95	200	†95¼	95¾	-0¼	-0¼	7.13
Nippon Telg. & Tel. 6 95	400	95¾	96½	+0⅛	+0⅛	6.35
Oesters. Kontbk. 5 93	300	94⅜	95	-0⅛	+0¼	6.67
Portugal 5¾ 92	150	97½	98⅛	+0⅛	-0⅝	6.53
Portugal 6⅝ 95	150	98½	99⅛	0	0	6.87
Privatbanken 5¼ 93	150	93⅛	93¾	0	-0⅜	7.26
Royal Insurance 5½ 92	300	96⅝	97⅛	-0⅛	0	6.71
Soc Cent Nuclear 7¼ 95	150	100⅜	101	-0⅛	-0⅜	7.11
Turkey 6½ 95	500	95⅜	96⅛	+0¼	0	7.40
Union Bk. Finland 5½ 94	200	94⅛	94½	0	0	6.94
Westlb. Finance 5 93	200	†92⅞	93⅛	0	-0⅛	7.12
World BK. 6¼ 97	600	94¾	95⅜	+0¼	-0⅜	7.42

Average price change... On day 0 on week -0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†92½	93	+1½	+1½	6.27
Asfinag 5 03	100	†85½	86½	+0¼	-5½	6.53
B.F.C.E. 4½ 98	200	†89½	90	+0¼	-0⅞	5.98
B.M.W. Fin. Neth. 5 13	150	†86½	87	0	-1	6.06
Britannia B/S. 4½ 94	100	†91¼	91½	0	-1¼	6.28
CIR. Int. W/W 3 93	125	†90	90¼	0	-2¼	5.71
Credit Lyonnais 4¾ 00	100	†85	86	+0½	-2½	6.64
E.I.B 4⅝ 98	150	†88⅛	88¾	-0¼	-1¾	6.32
Fletcher Chall. 4⅞ 98	150	†88⅞	89	+0¼	+0⅜	6.56
Kobe City 4⅝ 98	150	†89½	89¾	+0⅛	-1⅜	6.14
Leeds Perm. B/S. 4⅛ 93	200	†91½	92	0	-0⅞	6.57
Malaysia 5¼ 98	100	†79	81	-2⅛	-14	8.47
Maxwell Comm. Grp. 5 95	150	†87	88	0	-3⅜	7.64
Nat. Bk. Hungary 5½ 94	75	†96	96¾	0	0	6.28
Nationwide Ang. B/S. 4 93	200	†91½	92	0	-0½	6.34
Nippon Telg. & Tel. 4¼ 95	200	†92	93	0	-1¼	5.70
Oesters. Ktbk. 5 03	75	†89	91	-0⅛	-3	6.07
Prov. Newfoundland 5 03	150	†88	89	-1⅞	-2	6.22
Thailand 4⅝ 95	200	†91	92	+0¼	+0¼	6.33
World Bank 5 03	150	†84	86	-1⅞	-4¼	6.66

Average price change... On day -0⅛ on week -1⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅝	101⅞	-0⅛	0	5.06
Canada 5⅝ 93	80	102	102¼	+0¼	+0¼	5.04
Eurofima 5 1995	20	99⅛	99⅝	+0⅛	+0¼	5.12
E.I.B. 4⅞ 93	30	99	99¼	+0⅛	+0¼	5.13
Ireland 5⅛ 93	30	99⅞	100⅜	+0⅛	+0⅛	5.09
Norway 5⅛ 95	50	100⅛	100⅜	+0¼	+0¼	5.07
Sweden 4⅝ 93	50	98	98⅛	0	+0⅛	5.15
World Bank 5⅛ 98	10	99	99⅜	+0⅛	+0⅛	5.25
World Bank 7 94	20	108	108½	+0⅛	+0¼	5.08

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	94⅝	95⅛	-0⅛	-0⅛	11.99
Abbey Nat. 11⅞ 95 £	100	98⅝	98⅞	+0⅛	-0⅛	11.94
Alg. Bk. Ned. 5½ 92 FL	150	95⅛	95⅝	0	-0⅛	7.40
Alg. Bk. Ned. 5⅝ 93 FL	200	95⅛	96⅛	0	-0⅛	7.00
Austria 7⅜ 94 ECU	100	†95⅞	96⅛	+0⅛	-0⅛	8.70
Bk. Nova Scot. 14⅞ 90 AS	75	96	96⅛	-0⅛	-0⅛	17.03
Barclays Aus. 13¼ 91 AS	100	97⅛	97⅝	-0⅛	-0⅛	14.74
Belgium 8⅞ 94 Ecu	100	98⅛	98⅜	+0¼	-0¼	8.77
BP Capital 9⅜ 93 £	100	93¾	94⅛	+0⅛	-0⅛	11.69
British Airways 10 98 £	100	91¼	92	0	-0⅛	11.52
Buhrmann-Tet. 6⅞ 93 FL	150	96⅜	97⅛	0	-0⅛	7.22
Comm. Bk. Aust. 13¼ 93AS	100	†92⅞	93⅛	+0⅛	+0⅛	15.09
Coop. Ctr. Rabo. 6⅞ 93 FL	100	98⅞	97⅞	0	+0⅛	6.63
Cr. Local France 9⅛ 92 Ecu	100	†101⅛	101⅝	0	0	8.66
Deut. Bk. Aust. 13⅞ 93 AS	125	98⅛	98⅝	-0⅛	-1⅛	13.81
Eastman Kodak 13 90 AS	100	95⅞	96⅛	0	0	16.74
E.I.B. 7 96 LFr	100	97	98	-0⅛	0	7.50
Elec. France 10¼ 95 C$	125	†98⅝	98⅞	0	+2	10.56
Eurofima 7⅞ 94 Ecu	100	95⅞	96⅝	0	-0⅛	8.64
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†96⅝	97⅛	0	-0⅛	10.99
Fed. Bus. Dv. Bk. 10⅛ 93C$	50	97⅝	98⅛	-0⅛	-0⅛	11.07
Ferro. Stato 7⅞ 93 Ecu	100	95⅝	96⅛	+0⅛	-0⅛	8.92
Ford Cr. Can. 10⅜ 95 C$	100	†98⅝	98⅞	0	-0⅛	11.18
Ford Cred. Can. 10⅞ 96C$	125	99⅛	99⅝	+0⅛	-0⅛	10.97
Ford Mtr. Cred. 7⅞ 93Ecu	100	†96⅝	97	+0⅛	-0⅛	8.92
G.M.A.C. 9¾ 93 C$	150	†95¼	95¾	0	-0⅛	11.21
Hydro-Quebec 11 99 C$	400	100¼	100½	+0⅛	-0⅛	10.92
Lloyds Bank 10¼ 98 £	150	92⅝	93⅛	0	-0¼	11.57
Lloyds Bank 11⅛ 98 £	100	96	96½	0	-0⅛	12.03
Montreal Tst. 10¾ 93 C$	100	†97⅝	98⅛	0	-0¼	11.39
Morgan Guar. Tst. 11 91 C$	150	99⅞	100	0	-0¼	11.17
Nat. Aus. Bk. 14⅞ 94AS	100	98⅝	99⅛	-0⅛	-0½	15.04
Ned. Midd. Bank 6 92 FL	150	96½	97⅛	0	-0⅛	7.23
New Zealand 9½ 93 £	100	92¾	93¼	+0⅛	-0¼	11.80
Philips Gloeil. 6 93 FL	300	95¾	96¼	-0¼	-0⅛	7.12
Privatbanken 7½ 94 LFr	500	98	99	-0¼	0	7.87
Royal Bk. Scot. 10⅝ 98 £	125	94½	95	+0⅛	-0¼	11.64
Saskatchewan 9⅞ 91 C$	150	†97⅛	97⅝	0	-0⅛	11.24
Saskatchewan 10¼ 93 C$	200	97½	97¾	0	-0⅛	10.91
State Bk. NSW. 13⅞ 93AS	100	96⅛	96½	-0¼	-0½	14.99
Sweden 15 94 AS	100	102	102⅜	-0⅛	-0⅞	14.32
Union Bk. Switz. 7½ 93	150	†96⅞	97⅛	0	-0⅛	8.26
World Bank 5¾ 92 FL	100	97¼	97⅝	-0½	-0⅛	6.77
World Bank 13⅛ 92 AS	100	100¼	100¾	-0¼	-0⅞	13.12
Zentrspk. 13¼ 93 AS	75	†97⅞	98⅛	0	+0⅛	13.78

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.97	100.02	18/07	13.08
Bank of Greece 99 US	0¼	99.34	99.44	8/09	10.62
Belgium 91 US	0	100.17	100.32	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.85	99.89	30/05	13.47
Credit Foncier 98 US	.063	100.10	100.20	20/10	10.16
Dresdner Finance 99 DM	.031	99.84	99.95	27/07	6.59
EEC 3 92 DM	0	100.68	100.78	20/08	5.63
Halifax BS 94 £	.1	99.98	100.04	6/08	12.97
Invt. in Industry 94 £	0¼	100.00	100.10	24/05	13¼
Leeds Perm. B/S. 94 £	0⅛	100.11	100.16	13/07	13.34
Midland Bank 01 £	.1	97.97	98.38	15/05	13.16
Milk Mkt. Brd. 5 93 £	0⅛	99.95	100.00	30/06	13.06
New Zealand 5 97 £	.07	100.07	100.17	22/05	13.06
State Bk. Nsw. 98 US	.188	100.33	100.43	11/08	9.87
Woolwich Equit. BS. 93 £	0⅛	100.12	100.17	13/07	13.37
Woolwich 5 95 £	0⅛	100.00	100.05	19/05	13.12

Average price change... On day 0.00 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	111⅞	112⅞	-0⅛	12.14
Amer. Brands 7¾ 02 US	†9/87	56.7	121	122	+0⅞	0.94
Ashikaga Bank 2¼ 02 US	4/87	967.	135½	136½	-0⅛	4.47
Asics 5 92 DM	12/83	472.7	256⅛	257⅛	0	3.14
CBS. Inc. 5 02 US	4/87	200.	99⅞	100⅛	-0¼	4.31
Primerica 5½ 02 US	4/87	66.75	65⅝	66⅝	+0¼	113.95
Eng. China Clay 6½ 03 £	9/88	4.8	105⅝	106⅝	-0¼	4.17
Fujitsu 3 99 US	5/84	1106.	219½	220	-3	-2.63
Land Secs. 6¾ 02 £	6/87	6.72	95¾	96⅝	-0⅛	11.56
MCA Inc. 5½ 02 US	9/87	69.62	92¾	93¾	-0⅛	18.91
Minolta Camera 2¼ 94 DM	2/86	1004.	115½	117	+1¼	6.82
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	123	124⅞	+0¼	8.79
Mitsui Trust 2¼ 01 US	10/86	1983.	126	127	-3	3.23
Next Plc 5¾ 03 £	11/87	4.3	98⅛	99⅛	0	191.58
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804	122⅛	123⅛	+0⅛	-1.11
Ohbayashi Taisei? 2⅛ 02 US	4/87	1310.	236⅛	238	-1⅛	0.69
Ranks Hovis 4⅞ 03 £	1/88	3.5	107⅛	108⅛	-0½	8.56
Redland 7¼ 02 £	1/87	5.4	104⅞	105⅞	-1⅛	3.27
Saatchi & Saatchi 6¾ 03 £	†10/89	4.41	91⅛	92¼	0	43.99
Sumitomo Bank 3¾ 04 US	2/89	4296.	92⅞	93⅞	0	17.87
Texas Inst. 2¾ 02 US	9/87	82.87	72⅞	73⅞	-0⅛	53.95
W.R. Grace 6¼ 02 US	9/87	42.12	91½	92½	0	24.02

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

US retail sales data help check Treasuries' decline

By **Janet Bush** in New York and **Katharine Campbell** in London

A SMALLER than expected gain in US retail sales in April helped the US Treasury bond market to arrest this week's decline. However, prices rose only modestly yesterday morning as a cautious mood prevailed in advance of the 30-year bond auction.

GOVERNMENT BONDS

Bond prices had started out lower in anticipation of a strong retail sales release but had recovered by midsession to stand as much as ¼ point higher at the short end of the market.

The long end did less well, gaining only about ⅛ point. The Treasury's benchmark long bond underperformed other long-dated maturities ahead of the auction, the last in this week's quarterly refunding.

The long bond was quoted ⅛ point higher for a yield of 9.09 per cent.

Retail sales gained by only 0.4 per cent compared with forecasts of an increase of more than 1 per cent.

However, the market remained cautious in view of today's release of the April producer prices index which is expected to have risen by about 0.7 per cent, compared with 0.4 per cent in March.

Financial markets now seem less willing to react on any evidence of slower growth and to ignore evidence of a build-up in inflation, which is now the principal focus of concern.

Bonds were also kept under pressure because of the long bond auction yesterday afternoon.

The results of the three-year and the 10-year auctions were respectable but not particularly good and the market may struggle under this weight of supply.

A positive factor for bonds was another rebound in the dollar, which had jumped to Y135.15 and DM1.9125 by midsession yesterday after some weakness on Wednesday.

ANOTHER addition to the steady stream of inflationary portents in Germany came yesterday in the form of April wholesale prices, which were up 1.1 per cent. This brought the yearly level to 6.5 per cent – its highest level since mid-1982.

The figures contributed to the bearish trend in quite heavy trading of the bund contract on Liffe, where the June future closed 1 basis point off the lows of the day at 92.92, and 31 points down on Wednesday's settlement price.

Unexpectedly low retail sales figures emanating from the US curiously failed to dent the dollar's bullish mood and, having traded below DM1.91 for a spell, the US currency pushed above that level on the news that the April increase in the US was just 0.4 per cent. This exacerbated weakness in the German market.

THE French monthly auction, postponed because of last week's holiday, went better than anticipated, with a total of FFr9.2bn of the tap stock sold at yields below those in April.

The tap 8½ per cent Treasury stock yielded 8.88 per cent, 7 basis points below the previous month. The market, which had been weaker before the result, bounced back following significant covering of short positions.

The other principal factor influencing trading was the US retail sales data, which initially boosted the market in so far as it was seen as further evidence of slower consumer demand.

But the resilience of the dollar soon put paid to any optimism and the June contract on the Matif dipped below 106, although it firmed slightly by the close to 106.06, 18 basis points down on the day.

TRADING in UK gilt-edged securities was virtually at a standstill yesterday afternoon – exceptional even by the market's own somnolent standards.

The Bank of England quarterly bulletin, released after the market's close, contained at first glance little that would affect today's trading. The long gilt future closed just ⅛ lower than Wednesday at 95-03.

IN THE Netherlands bond prices reacted negatively to the dollar's performance, dropping 30 to 40 cents in thin trading. The recent state loan was priced 40 cents lower at 97.65.

In a letter to parliament, Mr Onno Ruding, the Dutch Finance Minister, explained there had been no official leak to banks which had, a couple of weeks ago, bid for a surprisingly large amount of the most recent state loan which turned out to be very cheaply priced.

He did mention, however, that his agent had had a fairly extensive dialogue with the market about pricing. No formal investigation is to be launched.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	106-24	+2/32	11.03	10.95	11.10
	9.750	1/98	96-26	-1/32	10.31	10.22	10.34
	9.000	10/08	97-04	-1/32	9.32	9.25	9.36
US TREASURY *	8.875	2/99	98-07	+8/32	9.15	9.07	9.27
	8.875	2/19	97-22	+4/32	9.10	8.99	9.09
JAPAN No 111	4.600	6/98	95.3180	-0.087	5.36	5.36	5.19
No 2	5.700	3/07	106.0063	-	5.06	5.07	5.03
GERMANY	6.375	11/98	95.4000	-0.250	7.04	6.91	6.93
FRANCE BTAN	8.000	1/94	96.2923	-0.107	8.96	8.86	9.02
OAT	8.125	5/99	94.9400	-0.180	8.90	8.77	8.94
CANADA *	10.250	12/98	100.5750	+0.200	10.15	10.04	10.45
NETHERLANDS	6.7500	10/98	96.0250	-0.300	7.34	7.20	7.11
AUSTRALIA	12.000	7/99	91.6863	-0.307	13.51	13.54	13.76

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal.

Technical Data/ATLAS Price Sources

Fitch to review borrowers' ratings

By **Stephen Fidler**

FITCH Investors Service, the US rating agency taken over last month by an investor group, said yesterday it would review all its existing ratings in a move that is expected to lead to a downgrading of some borrowers.

Mr Dan Evans, the new president and chief operating officer, said each issuer rated by Fitch would undergo a review over the next six months. He admitted that Fitch ratings "have been a little bit on the liberal side."

Fitch, the oldest US rating agency, was founded in 1913 and had been owned by the Cacchione family for almost 30 years. It was taken over last month by an investor group led by Mr Russ Fraser, the new chairman and chief executive officer, and Mr Robert Van Kempen. Mr Fraser was a former president of Ambac, a provider of financial guarantee insurance.

Fitch's ill-starred foray into the international markets ended in January, when it closed Euroratings, which had attempted to establish itself as a European ratings agency.

The purchase price for Fitch was not disclosed but was said to be in the region of between $10m and $12m in cash and notes. Mr Evans said an investment of about $35m to $50m was planned for the agency to allow it to compete on more equal terms with the main rating agencies, Moody's and Standard & Poor's.

The funds would be raised through issues of both equity and debt to investors through Shearson Lehman Hutton, which had already placed a portion of the securities.

Mr Evans said the firm had already embarked on expansion plans – by next week it should have 59 employees, compared with 47 when the group took over, and "by 1990, we'll be double our present size."

In spite of the experience with Euroratings, Fitch intended to have an international presence as part of its aim to be a full service ratings agency, although the first task was to sort out US operations and expand its domestic product range, Mr Evans said.

Stabilisation shown the red card

Norma Cohen examines one aspect of the insider trading laws

The International Primary Markets Association, the organisation representing new issue underwriters, says that stabilisation – the time-honored practice of keeping a new security close to its issue price – would become illegal under the European Commission's proposed directive on insider trading, if it were adopted in its current form.

To stabilise a security, underwriters buy or sell their own newly-issued stocks or bonds at prices around the initial offering level.

While in any other market the practice would be viewed as manipulation of prices, practitioners and regulators have consistently taken the view that, for securities with no trading history, it is a necessary activity.

Newly issued securities tend to have volatile price swings and stabilisation is seen as one way of instilling confidence in retail investors.

Indeed, the UK's own Financial Services Act specifically exempts stabilisation from the category of practices that can be viewed as market manipulation.

Ipma and the Association of International Bond Dealers, a trade organisation of Eurobond houses, spent several months last year drafting rules under which stabilisation could be conducted legally on UK exchanges.

Those rules have been in effect since early 1989.

Since stabilisation only occurs during the so-called grey market period, before the securities have been paid for and delivered, its long-term impact on prices is limited.

At the heart of Ipma's fears lies the proposed directive's definition of inside information as that which has not been made public but, if it were, "would be likely to have a significant effect on the price of the transferable security or securities in question."

At that rate, Ipma officials say, an underwriter's mere intention to purchase a certain volume of stocks or bonds at a specific price in a stabilisation procedure becomes inside information.

The dilemma for underwriters is that if the information were to be disclosed it could have a material impact on the value of the securities, but render the price even more volatile than it had been before. But if the firm bought or sold securities without first disclosing its intentions it could be found to violate the proposed EC directive forbidding inside trading.

Under UK laws, underwriters must simply announce at the launching of a new issue that they may stabilise prices if necessary.

Furthermore, various European governments, such as West Germany, routinely stabilise their own bonds during the initial issue period.

The EC directive includes a specific exemption for monetary, exchange rate or national debt management policies carried out by a sovereign state or its designees – presumably banks acting on its behalf.

But Ipma officials argue that if governments are allowed to indulge in insider trading, why should that privilege be denied to private enterprise.

Ladbroke switch in terms jars institutions

By **Andrew Freeman**

MUTED NEW issue activity was overshadowed on the Euromarkets yesterday by arguments among syndicate managers and investment institutions over the Ladbroke Eurosterling convertible issue launched on Wednesday by Credit Suisse First Boston.

The deal traded strongly after launch, rising to a premium at 100⅞ before closing on Wednesday at 99¾ bid. However, several institutions, including leading UK insurance companies, reacted decisively to what they saw as unacceptable final terms on the issue when they were informed yesterday morning.

CSFB is understood to have bought bonds steadily in the market after news filtered through that several of the institutions had cancelled their subscriptions.

CSFB had launched the

INTERNATIONAL BONDS

£140m deal with an indicated coupon of 5¾ per cent and an indicated conversion premium of 18 per cent. Final terms saw the deal increased to £150m and the coupon cut to 5⅛ per cent, both of which were judged as in line with normal market practice.

However, some institutions objected to the increase of the conversion premium from 18 per cent to 21½ per cent. One leading UK fund manager said: "This was not an approximate change – after that change in the terms, we were no longer being offered the same stock."

A CSFB official said there had been tough negotiations with Ladbroke on Wednesday night after the massive over-subscription of the deal. It is understood the company requested the final adjustments and that CSFB was advising a lesser adjustment.

CSFB was quoting the bonds on a spread of 99¼ to 99½ and said the price had moved in line with Ladbroke shares, which fell slightly. The official said that support for the deal remained very strong and added that the change in the conversion premium meant very little in price terms.

Elsewhere, J.P. Morgan was the lead manager of a Pta15bn Matador deal for Eurofima. The five-year bonds came with a 12⅝ per cent coupon and were quoted at 100.30 bid, inside fees amid good international demand.

Hambros Bank was the lead manager of an A$75m five-year deal for the State Electricity Commission of Victoria. The bonds were priced at 102 and came with a 15¼ per cent coupon. They were quoted at less 1¾ bid, inside underwriting commissions of 2 per cent. The proceeds were unswapped.

In Germany yesterday prices fell after the poor wholesale prices figures were released to end around ½ point lower on the day.

A DM100m seven-year deal with equity warrants for Glunz International, the timber supplier, was brought by BHF-Bank with a 7 per cent coupon. The deal had a good reception until the economic news, after which it fell to close at 124 bid, just inside underwriting fees of 2¼ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kirin Brewery Co.♦‡	350	(4¼)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Final terms fixed on:						
Sankei Elec. Railway(a)♦‡	140	4⅜	100	1993	2¼/1½	Daiwa Europe
Tyo Nissan Auto Sales(b)♦‡	100	4⅛	100	1993	2¼/1½	Yamaichi Int. (Europe)
AUSTRALIAN DOLLARS						
State Elec.Comm.Victoria♦	75	15¼	102	1994	2/1¼	Hambros Bank
ECUs						
EIB(g)♦	75	9	103	1999	2/1⅝	IBJ Int.
D-MARKS						
Glunz Int. Finance(c)‡♦	100	7	126	1996	2¼/1½	BHF-Bank
PESETAS						
Eurofima(d)♦	15bn	12⅝	101⅛	1994	1⅝/1	J.P. Morgan
SWISS FRANCS						
Nittan Valve Co.(e)‡♦§	45	(⅝)	100	1994	1⅞	Banque Paribas (Suisse)
Tyo Nissan Auto Sls(f)‡♦§	40	(½)	100	1994	n/a	Bank Leu

♦Private placement. ‡With equity warrants. §Convertible. ♦Final terms. a) Coupon cut by ⅛% from indication. b) Coupon cut by ⅛% from indication. c) Each DM5,000 bond has 2 warrants to buy a total of 20 shares at DM223 each share. d) Non-callable. e) Indicated put option 30/11/91 at 104½ to yield 2.386%. f) Put option fixed 31/3/92 at 104½ to yield 2.083%. g) Fungible with Ecu150m bond issued in March.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Thursday May 11 1989

	EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed May 10 Index No.	Tue May 9 Index No.	Mon May 8 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	953.92	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (29)	1192.62	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (38)	1681.26	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (10)	2822.55	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (30)	2183.35	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (54)	524.12	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	542.69	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (17)	317.39	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (22)	1595.13	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (185)	1197.31	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	1319.95	-1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (20)	1835.86	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (15)	2163.42	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household (14)	2214.62	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (33)	1635.07	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Packaging & Paper (15)	574.73	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (18)	3539.23	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (33)	791.53	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (15)	566.41	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	OTHER GROUPS (95)	1081.96	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	Agencies (18)	1329.00	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (22)	1227.33	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Conglomerates (12)	1581.38	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Transport (13)	2393.37	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	1329.66	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (28)	1457.85	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (487)	1123.17	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (13)	1989.16	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	1196.92	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (123)	748.78	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (8)	748.26	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (8)	1864.48	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	594.93	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (7)	968.29	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	332.72	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (52)	1323.91	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Other Financial (30)	372.94	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (72)	1145.58	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (2)	651.51	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (8)	1363.86	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (705)	1087.94	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 10	May 9	May 8	May 5	May 4	Year ago
FT-SE 100 SHARE INDEX‡	2110.6	-6.4	2118.3	2107.1	2117.8	2125.1	2119.6	2132.8	2119.8	1772.3

FIXED INTEREST

	PRICE INDICES	Thu May 11	Day's change %	Wed May 10	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.94	+0.06	117.87	-	4.41
2	5-15 years	133.21	+0.01	133.20	-	4.62
3	Over 15 years	144.45	+0.03	144.40	-	5.92
4	Irredeemables	167.44	+0.02	167.40	-	6.78
5	All stocks	130.98	+0.03	130.94	-	4.78
	Index-Linked					
6	5 years	133.96	-	133.95	-	1.36
7	Over 5 years	133.63	+0.07	133.53	-	1.28
8	All stocks	133.53	+0.07	133.43	-	1.27
9	Debentures & Loans	115.08	-0.07	115.16	-	3.80
10	Preference	88.97	-0.13	89.08	-	2.05

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 11	Wed May 10	Year ago (approx.)
	British Government				
1	Low	5 years	9.69	9.69	8.84
2	Coupons	15 years	9.26	9.26	9.18
3		25 years	9.07	9.07	9.06
4	Medium	5 years	10.72	10.71	9.27
5	Coupons	15 years	9.70	9.70	9.41
6		25 years	9.26	9.26	9.21
7	High	5 years	10.84	10.84	9.37
8	Coupons	15 years	9.91	9.91	9.55
9		25 years	9.44	9.43	9.26
10	Irredeemables		9.07	9.07	8.65
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.56	3.55	2.59
12	Inflation rate 5%	Over 5 yrs.	3.58	3.58	3.76
13	Inflation rate 10%	5yrs.	2.66	2.65	1.69
14	Inflation rate 10%	Over 5 yrs.	3.42	3.42	3.61
15	Debs &	5 years	12.27	12.27	10.33
16	Loans	15 years	11.56	11.55	10.63
17		25 years	11.11	11.10	10.68
18	Preference		10.21	10.19	9.69

‡Opening index 2118.3; 10 am 2109.2; 11 am 2112.3; Noon 2114.2; 1 pm 2110.2; 2 pm 2111.3; 3 pm 2113.8; 4 pm 2109.2; 4.05 pm 2109.8 (a) 9.00am (b) 9.28am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	29	26
Corporations, Dominion and Foreign Bonds	1	9	34
Industrials	313	415	848
Financial and Properties	137	163	358
Oils	17	23	57
Plantations	0	0	12
Mines	49	24	105
Others	65	70	120
Totals	634	731	1,560

LONDON RECENT ISSUES

EQUITIES

[illegible]		

FIXED INTEREST STOCKS

[illegible]		

RIGHTS OFFERS

[illegible]		

TRADITIONAL OPTIONS

● First Dealings Apr 24
● Last Dealings May 12
● Last Declarations Jul 27
● For settlement Aug 7

For rate indications see end of London Share Service

Calls in Buls Res, Tusker, Kenmare, Dukeminster, Vistec, Vista, Acorn, Five Oaks Inv, Petrogen, Medirace, Bridgend, Audio Fid, Mng & Ald, Regentcrest, Amal Fin, P & O Wnts, Norfolk Cap, Tyndall Hldgs, Cresswick, Ex Lands, Wm J. Cardill, Inventa, Armstrong Equip. Puts Kenmare, P/C Castest, ASDA.

LONDON TRADED OPTIONS

[illegible]		

UK COMPANY NEWS

Oil production fall and squeeze on refining and marketing underpin differing results

Royal Dutch/Shell climbs 22.5% to £1.1bn

By Steven Butler

THE ROYAL Dutch/Shell Group yesterday reported a 22.5 per cent rise in first-quarter post-tax profits to £1.11bn, compared to the first quarter of 1988, calculated on a current cost of supply basis. However the results were boosted strongly by gains from property sales amounting to £244m this year, compared to £106m in 1988.

Profits declined in most of the operating businesses, with the exception of chemicals, where they rose by 56 per cent to £362m.

On a historic supply basis, used for official reporting purposes, Shell's net profits soared by 55 per cent to £1.28bn. This figure includes gains from stock holdings which resulted from the substantial rises in crude and petroleum product prices during the quarter. Current cost calculations are generally felt to provide a better guide to the oil company's underlying performance, which is distorted by swings in the value of inventory.

Shell earnings per share rose from 9.1p to 14.1p.

First-quarter profits from oil exploration and production reached £293m, a decline of £84m which came in spite of the rise in crude prices during the quarter. Crude oil production fell by 2 per cent to 1.78m barrels a day, while natural gas sales declined by 6 per cent, largely because of the warmer European winter, to 6.93bn cu ft a day.

The decline in oil production was small because the fall in UK production due to shutdowns in the North Sea was largely offset by increases in Columbia, Syria, and Abu Dhabi.

Downstream profits slipped badly on a current cost basis, from £364m to £171m, reflecting pressure on refining and marketing margins as prices for supplies of crude oil and oil products increased.

Both margins and volumes rose in Shell's chemicals business, resulting in sharply higher earnings.

Shell's coal business turned in net profits of £12m, compared to a loss of £14m a year earlier, while metals earnings rose from £15m to £41m. Corporate items showed a profit of £255m compared to a loss of £60m.

Shell's cash flow declined from £1.5bn to £1.2bn, while cash and short-term securities fell by £500m to £4.9bn.

See Lex

BP declines almost 7% in first quarter

PROFITS AFTER TAX on a current cost basis at British Petroleum fell by 6.6 per cent in the first quarter of the year, on a year-on-year comparison, reflecting a squeeze in margins in refining and marketing. Although crude prices rose, this was offset by disruptions in production, higher taxation, and rising costs, writes Steven Butler.

BP also yesterday declared its first quarterly dividend at 3.65p.

On a historical cost basis, BP's net profits rose sharply, from £263m to £608m reflecting gains from crude and product stock held in inventory during a period of rising prices. These amounted to £227m. Earnings per share rose from 4.4p to 10.3p.

In the upstream part of the business, current cost operating profit rose from £407m to £478m, which included a pre-tax profit of £165m from the sale of a 15 per cent interest in the Magnus field in the North Sea. The average oil price during the period rose $1.75 a barrel to $17.45, compared to a year ago.

BP produced an average of 1.4m b/d during the quarter, down from 1.47m a year ago. Gas sales rose to 1.9m cubic feet a day from 1.0m.

Refining and marketing profits fell from £140 a year ago to £134m, far below the £241m recorded in the fourth quarter of 1988.

Chemicals, however, produced a record quarterly profit of £157m, compared to £136m the year before.

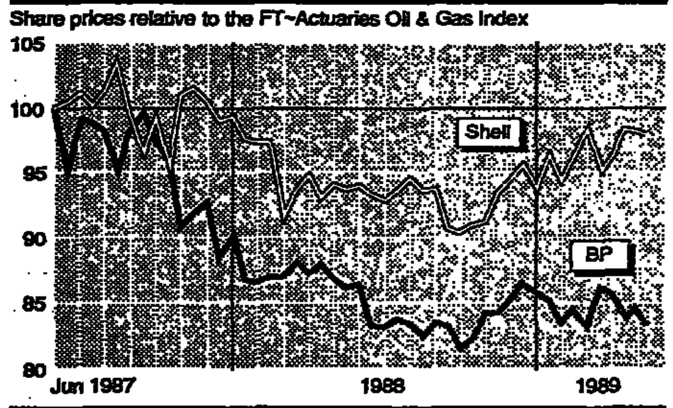
BP's nutrition business turned in a £10m profit, unchanged from the fourth quarter of 1988, although up from £3m a year ago. Coal produced an operating profit of £7m.

BP nearly doubled its cash flow during the period from £521m to £1,060m, including the proceeds from £368m of divestments, among which were the sale of its 15 per cent holding in the Magnus field in the North Sea and royalty interest sales at Prudhoe Bay. Capital expenditure came to £619m.

BP's group ratio of debt to debt plus equity at the end of the first quarter stood at 49 per cent, compared with 37 per cent at the year end, resulting from the purchase and cancellation of 790m ordinary BP shares from the KIO, although this was expected to fall to 40 per cent by the year end following disposal of BP minerals to RTZ.

See Lex

Share prices relative to the FT-Actuaries Oil & Gas Index



Protesters taking legal advice

Richard Donkin on the furore at Shell's agm

THE ANTI-APARTHEID Movement was yesterday taking legal advice on whether it could annul the business passed at the Shell annual meeting in London which broke up amid barracking by demonstrators protesting at the company's trading policy in South Africa.

The report and accounts were voted through in the uproar as about 80 anti-apartheid protesters with voting rights as Shell shareholders protested against a decision by Sir Peter Holmes, the Shell chairman, to end questions on South Africa and move to the remaining business.

Mr Stuart Bell, a researcher with the Anti-Apartheid Movement, claimed Sir Peter had ignored an attempt to have a poll taken on the decision. Mr Bell said that under articles of the company five or more shareholders had the right to demand a poll.

Shell last night said that the chairman had taken the steps "he thought fit" to determine the wishes of the meeting in the uproar.

It said all those present "save perhaps those blowing whistles and shouting could clearly hear what was being proposed and what they were being asked to vote on." The company said it had no comment on alleged irregularities.

Earlier Sir Peter had delivered a strongly-worded defence of Shell policy in South Africa which demonstrated the company's sensitivity to the boycott on Shell products launched three years ago by a coalition of anti-apartheid groups.

He described the campaign as "misconceived and misguided", pursuing a strategy increasingly rejected by the black community.

He said: "Shell has earned the respect and support of the black community as a company committed to the end of apartheid and to the creation of a fair and free post apartheid society."

Sir Peter said there had been recent instances when Shell had been spontaneously mentioned by blacks in South Africa to overseas visitors as the company that others should emulate. He said: "It is abundantly clear therefore that those who have picked Shell for vilification and attack have picked the wrong target in the eyes of the black community in South Africa."

A recent survey, he said, showed that 64 per cent of blacks in South Africa opposed economic sanctions and 74 per cent said foreign companies should stay in South Africa. "It is an emphatic rejection of the disinvestment and boycott campaign followed by anti-apartheid activists around the world," said Sir Peter.

Mr Bell said: "My only surprise is that nearly 40 per cent of respondents supported sanctions considering that advocating sanctions or disinvestment is an imprisonable offence in South Africa. It is like asking people if they want to go to prison."

Mr Bell said he was one of "approaching 100" anti-apartheid campaigners who each possessed a single share in Shell as a tactic to protest at company meetings.

He said the only physical unrest at the meeting had been when some shareholders had ripped up "Don't fuel Apartheid" banners while the protestors sang "We shall overcome".

Getting back to the basics

David Waller on the latest changes at Hamleys

AT THE TURN of the decade, the toy and game industry was hit by a debilitating combination of recession, manufacturing overcapacity, high interest rates, radical new product lines and an erosion of the customer base because of a decline in the birth rate.

Hamleys, the London toyshop which which was sold to a US entrepreneur earlier this week, survived all this.

Convulsion in the industry gave rise to the disappearance of many well-known toy manufacturers, a regrouping of the survivors, and a doubling in the volume of imports to about 70 per cent of the £1bn UK market last year. The retailing side, made up of numerous independents, hardly thrived against this background.

On the one hand, the stores' traditional suppliers disappeared; on the other, they faced increased increased competition from new entrants to the market like Woolworth and Argos, and latterly, discount players such as Toys 'R' Us from the US and Zodiac.

In the midst of all this upheaval was Hamleys, the Regent Street toyshop. Despite changing hands four times in as many years (including the latest change of control) it remained the flagship of the industry, unique amid all other toyshops. The reasons were its size, it carries 28,000 items at any one time, its customer profile (largely rich visitors from overseas) and its 200-plus years of history.

Under one of the owners, Sir Phil Harris of Harris Queensway, it sank into losses. Sir Phil realised that the Hamleys brand-name was underexploited, but his attempts to rectify this by expanding into provincial UK cities failed. The stores were too small to carry the range of stock needed to make them properly differentiated from their down-market competitors.

Duncan Chadwick: upmarket shops in Beverley Hills

The new owners intend to expand, too, but far more cautiously and selectively than Sir Phil during his two-year reign, from 1986 to 1988. In time, there will be expansion overseas but the main focus of management energies over the next few years will be on the London store.

Put together by the venture capital arm of Citicorp, the latest deal is more than a simple acquisition. It matches up the oldest name in the toys industry with some very modern financial engineering. It is neither a straightforward buy-in or buy-out, but a combination of both.

From California comes Mr Duncan Chadwick, an Anglo-American businessman in his mid 30s who set up Creative Toys some years ago. His business does not exactly constitute an empire. His two Intellitoy shops in the heart of Beverly Hills are decidedly upmarket, but enjoyed turnover of only $3m last year, about one-tenth the £18m at Hamleys.

Also in on the deal is Mr Bob Brown and his colleagues at Hamleys. Mr Brown was appointed last summer when Mr James Gulliver took control of Harris Queensway. He is credited with pulling the store out of the provinces and bringing it back into the black.

The first aim of the management team, advised during the negotiations by J.O. Hambro and Partners, the corporate finance boutique, is first to restore Hamleys to the levels of profitabilty enjoyed before the Harris Queensway diversifications.

They intend to do this by restoring Hamley's commitment to the long-held principles which have served to distinguish it from its rivals: namely, that it should sell as wide a range of product as possible; it should offer a unique shopping experience and that it should not compete directly on price, rather by offering good value quality service and products.

In the first instance, the aim is to tighten up margins through the implementation of US-style computer systems and by improving purchasing. The shop layout will be redesigned

The two Los Angeles stores will be renamed Hamleys immediately. But, until the London store has responded to the treatment, further expansion will be limited to a select number of franchising arrangements in continental Europe and the Far East.

UK COMPANY NEWS

Results fall £3m short of City expectations

Interest charges of £30m hold BOC to £149.4m

By John Ridding

CONTINUED BUOYANT demand for both manufacturing and non-industrial gases lifted operating profits at BOC Group, the gases and health-care company, by 15 per cent to £179.4m in the six months to the end of March.

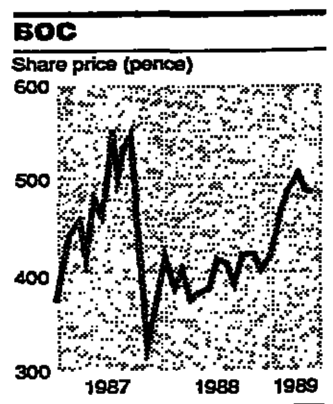
However, interest charges of £30m resulting from the company's heavy capital expenditure programme constrained profits at the pre-tax level to £149.4m, an 11 per cent rise, but around £3m lower than market expectations.

Turnover increased by 14 per cent to £1.3bn of which two-thirds represented the core gas and related products division. Earnings per share were up from 19.19p to 21.58p and a second interim dividend of 8.3p is declared for a total of 16.6p.

Mr Richard Giordano, chairman, said that demand for gases had been strong across its markets, improving profits in the division from £98.7m to £125m. He added that "there is no evidence of a slackening in demand despite the recent moves in leading indicators."

The Far East enjoyed particularly rapid growth and now accounts for around one-third of group turnover and slightly less in terms of profits. An extra 12 plants are being constructed in the region to cater for demand.

In terms of products, Mr Giordano said that the big surprise this year has been the



performance of non-industrial gases – particularly nitrogen-based products used in the food freezing industry and oxygens for anti-pollution use.

The group is currently involved in negotiations with the US Justice Department to arrange a deal whereby the anti-trust bar on its proposed $171.5m (£101m) acquisition of UGI's industrial gases subsidiary can be lifted.

Mr Giordano said that the deal may involve the exclusion of around 20 per cent of the company's assets from the deal and that an arrangement may be reached within 30 to 45 days.

The health care division continued to be constrained by losses at its Glasrock subsidiary which are "around a couple of million pounds on an annual basis." However, the division as a whole saw profits improve from £39.8m to £46.3m.

● COMMENT

BOC – the company that announces dividends at the beginning of the year – seldom springs surprises. But the City was caught off guard by the level of capital spending and interest payments and marked down pre-tax forecasts for the current year from a top end of £340m to one of £335m. Such adjustments bear no reflection on underlying trading which continues to benefit from surprisingly strong gas markets. Towards the end of the year, this is likely to tail off, but if it does the effect will largely be offset by Glasrock's expected return to the black and the positive contribution provided by the integration of Spectramed and Viggo in the healthcare division. In the longer term the obvious worry is an economic slowdown which must affect BOC through its steel, motor and other industrial customers. However, the group is now far less vulnerable as a result of its developing healthcare division, expansion in the East and increased contribution from non-manufacturing gases. Assuming profits at the top of the range puts the shares on a prospective multiple of 10 – reasonable value given their recent underperformance and BOC's steady progress.

Marginal rise at Yorklyde

Yorklyde, the Huddersfield-based cloth and rug manufacturer, lifted pre-tax profits from £2.17m to £2.33m in the year to end-January 1989.

Turnover marginally improved to £8.48m (£8.05m), and after tax of £812,336 (£741,970), earnings per 10p share worked through at 31.9p (30.4p).

The recommended final dividend of 6.25p brings the total for the year to 9p (8.25p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Paper Inds.......int	2.75	July 3	2.75	-	8.8
BOC Group ....fin	8.3☆	Aug 1	5.85	16.6	5.85‡
GrandMet ....int	6.75†	Oct 2	5.5	-	15
King & Shaxson ....fin	6.75	-	6.75	9.25	9.25
MIL Research ....fin	2.85	July 14	2.2	4.6	3.3
Seafield ♣ ....fin	*0.2*	-	*nil*	*0.2*	*nil*
UEI ....fin	5.4†	July 12	4.7	8	7
Venture Plant § ....int	1.25	-	-	-	-
Warnford Invs ....fin	15	-	12	24	20
Yorklyde ....fin	6.25	-	5.5	9	8.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Scrip option. ‡Dividend paydates altered. Comparable payment was 13.5p. ♣Irish currency.

Corporate raiders build 2.55% Asda stake

By Nikki Tait

ASDA GROUP, Britain's fifth largest food retailer, said yesterday that it had uncovered a 2.55 per cent stake built up by First City Financial Corporation, a Vancouver-based investment company which is controlled by the Belzberg family, prominant Canadian-based takeover specialists and corporate raiders.

Asda shares rose 5½p to 172p after the announcement, to value the stores group at £2bn.

As part of the current £1.73bn bid battle by the newly-formed Isosceles company for another UK food retailer, Gateway, Asda has agreed to purchase 62 Gateway superstores for just over £700m if the offer is successful.

The proposed deal, however, has acted as a catalyst for bid speculation over the future of Asda itself – with names like Atlantic and Pacific, the US food chain where West German retailer Tengelmann has a majority stake, mooted – and there has been some heavy recent trading in its shares.

Asda said yesterday that the FCFC stake came to light as a result of notices sent out under section 212 of the Companies Act, which allows companies to discover the beneficial ownership of its shares.

It said that FCFC had started buying shortly before the Isosceles offer was announced, but the bulk had been purchased since then.

It added that there had been no contact with the new shareholder, but that the group was now "considering its tactics".

First City itself said that it was not group policy to comment on its investments. However, the company - listed on the Toronto Stock, but with the Belzberg family holding 78 per cent of the shares - has been active in numerous corporate situations in the past, often taking stakes and then suggesting that a bid will follow.

In certain cases, the target company has then bought out the aggressor's stake, although in some cases a bid has resulted.

Minorco's least favourite lawman

Roderick Oram profiles the man blocking the bid for Gold Fields

DOWN IN the well-worn, marbled basement of the Federal courthouse in Manhattan, a low-paid clerk spins an old octagonal wooden box, lifts the lid, reaches in for a small manilla envelope, opens it and pulls out a slip of paper bearing a judge's name.

In this random, impartial fashion the latest case to hit the over-burdened New York court gets its judge. Back last October, a clerk plucked out the name Mukasey, assigning the judge to the case on which hangs the biggest ever British takeover battle.

No one can question the legal propriety of Judge Michael Mukasey's injunction blocking, on anti-trust reasons, the £3.5bn bid for Consolidated Gold Fields, the diversified UK mining group, by Minorco, the South African-controlled investment company. Minorco does not like the ruling but the New York appeals court has upheld it.

But whatever the result of frantic manoeuvrings before the bid expires next Wednesday, several questions will long haunt both sides.

What if the clerk had picked another name? Who is this man on whom hangs a multi-billion pound deal and, perhaps, the future of the world's gold industry?

One clue is Judge Mukasey's choice of hero. Atop shelves of bound law digests in his chambers sits a large framed photograph of Mr George Orwell. "He is a particular idol of mine for his clear writing and complete disdain for cant," the judge says. "I try to recognise when some spongy abstraction is trying to cover up an excuse for thought or analysis."

He aims this barb at the legal profession in general, not particularly at lawyers in the Gold Fields case on which he must refrain from commenting.

Nonetheless, his guiding intellectual passion is serving him well in the case, judging by the clarity of his written opinions and the wry wit with which he peppers both sides' attorneys during hearings. When, for example, one apologised for using the phrase dawn-raid – "not a term I coined" – Judge Mukasey replied: "I'm sorry to have taxed you with melodrama."

The case is drawing a lot of attention to Judge Mukasey, 47, who joined the bench 16 months ago. He had spent the previous 20 years as a lawyer in private practise, defending, for example, newspapers against libel suits, and in government service. Twice during the 1970s, he served as a federal prosecutor in Manhattan tackling corrupt politicians, civil servants and others. "The sense I was one of the good guys is an occupational hazard among lawyers," he says.

"He was an exceptionally bright, energetic fellow with

Judge Mukasey – does the gold industry depend on him?

great promise as a public servant – and he didn't take himself too seriously," says Mr Whitney North Seymour Jr, his boss at the time as the region's US Attorney.

Born in the Bronx, he was an undergraduate at Columbia and earned his law degree at Yale. During university breaks he worked as a news agency reporter for UPI in Newark covering the ills of the bombed-out New Jersey city. "It was good practice in writing fast and making things comprehensible."

His old bureau chief works one floor below him in the court house in a press room which, computer terminals aside, looks straight out of The Front Page. "He would have made a terrific journalist," says Mr Alex Michelini. "At least it would have been a more legitimate calling."

The lot of a federal judge is a hard one. Judge Mukasey says his docket is packed with "a few hundred" civil cases and some 15 to 20 criminal cases, a load typical of the 25 judges on the bench. His staff consists only of two law clerks, one court-room deputy and one secretary. His office days run 12 hours or so followed by much more reading and writing at home. Apart from a few long weekends, his only time so far away from the court house was a two-week economic seminar for judges.

Grave danger also lurks. Airport-style metal detectors and X-ray machines guard the court-house entrance. One of Judge Mukasey's colleagues, Judge Richard Daronco, was shot dead at home last May. His assailant, who committed suicide, was an ex-policeman whose daughter had just lost a seven-year sex discrimination case.

If Minorco, the Oppenheimers and De Beers feel out of place before a judge in the front line of New York's urban war, they should consider he is no stranger to issues of international commerce. One case before him involves a boat-load of bananas that rotted *en route* from Ecuador to Marseilles.

Tombs to leave T&N chair

By Nick Garnett

SIR FRANCIS Tombs is to retire as chairman of T&N, the engineering group, in November. Sir Francis, who turns 65 next week, will be succeeded by Mr Colin Hope, managing director of the group, formerly Turner & Newall.

The announcement was made at T&N's annual meeting. Sir Francis said that he would continuing as chairman of Rolls-Royce, the aero engine and power station equipment group. No date had even been pencilled in for retirement from that job, he added.

Sir Francis, who was asked by the Bank of England to take over the chairmanship of T&N seven years ago, said he was "overcommitted" with appointments.

Apart from Rolls-Royce, he is chairman of the Government's advisory council on science and technology and is on the boards of Shell and Rothschild, the merchant bank. He said he was leaving T&N when it no longer needed him. It had a good management team and was "firing on all cylinders."

In 1988, T&N lifted pre-tax profits by 18 per cent to £91.3m on turnover up 9 per cent at £1.05bn.

During his period at T&N, the group has moved away from its roots in asbestos, which eventually became a costly achilles heel and has built up its other businesses, in particular automotive components. In 1986, it bought AE, one of Europe's biggest piston makers, after a bitterly contested battle. T&N spent more than £50m on acquisitions last year. Sir Francis said yesterday that T&N would see some "substantial" developments over the next year, indicating these would involve further acquisitions and moves into new products.

The group, which includes the Ferodo brake lining business, announced at yesterday's meeting a joint venture with Japan Brake Industries in the US. The two companies are setting up an operation to manufacture automotive friction materials at T&N's existing site at Smithville, Tennessee.

Carlton Comm sells part of Technicolor

By Clay Harris

Carlton Communications, the television services company, is negotiating to sell the film processing interests of its US-based Technicolor subsidiary. The most likely buyer is Rank Organisation.

A price in the region of $300m (£180m) is being discussed, compared with the $780m Carlton paid for Technicolor last October.

Carlton, which declined to comment yesterday, had always been interested primarily in Technicolor's video duplication business, which accounts for about two-thirds of the subsidiary's turnover.

UK COMPANY NEWS

Eruption of problems for Ketson

By Andrew Hill

THE INTERNAL problems at Ketson, which is facing a hostile consortium bid, erupted in resignations and a boardroom split yesterday after the marketing and public relations group announced a radical restructuring of its finances.

Trading losses throughout Ketson, but particularly at Moorgate, the financial marketing and PR company bought last summer, have driven Ketson's shareholders' funds £5.45m into the red. Its debt has increased from £1.34m to £5.24m, breaking borrowing limits.

Under pressure from its bankers, Ketson now wants to raise £5m through a share placing, open to existing shareholders on the basis of three new shares for every one held, at 10p a share.

Ketson shares, which were suspended pending the refinancing details on April 25, emerged from the freeze and fell 4p to 15p, capitalising the group at £2.8m, a tenth of its value when the shares peaked before the October 1987 stock market crash.

Mr Rupert Stanbury, who became Ketson's finance director last November, said: "Clearly we have got to refinance; we have got to ensure the survival of this business."

The restructuring is opposed by Ketson's deputy chairman, Mr Jeremy Bond, the founder, former chairman and chief executive of Moorgate, who described the share placing as "rape and pillage" of existing shareholders.

"Our basic view is that there are two scenarios at Moorgate: either they (Ketson) screwed it up by buying it, or they screwed it up in managing it" — Andrew Greystoke, chairman of City and Westminster Financial.

Mr John Knox, Ketson's managing director at the time of the Moorgate acquisition, has resigned from the board, but Mr Bond has refused to do so, despite being sacked as an employee. A proposal to remove him as a director will be put to shareholders at the same extraordinary general meeting being arranged to approve the refinancing plans. Mr Bond said he had been used as a scapegoat.

Mr Walter Dickson, Ketson's chairman and architect of its growth from a shell company in 1987, has become chief executive.

The announcements drew strong criticism from the hostile bidder, a consortium consisting of Mr Andrew Greystoke's City and Westminster Financial, Summer International, the training and education company, and Broad Street Group, the PR, advertising and marketing consultancy.

Mr Greystoke said: "Our basic view is that there are two scenarios at Moorgate: either they (Ketson) screwed it up by buying it, or they screwed it up in managing it."

He said the trading results, though much worse than the consortium had expected, had not shaken its resolve to buy Ketson, which is unlikely to consider any offer until after the EGM.

"The thing that continues to astonish us is that even with these catastrophic results under their belt they weren't prepared to talk to us," he said yesterday.

Any bid would involve the establishment of a new company to buy Ketson. Moorgate would be sold to Broad Street, which first expressed an interest in the group 18 months ago, and Summer International, which is 29.5 per cent-owned by City and Westminster, would buy IETC, Ketson's training consultancy.

Moorgate lost £2.26m before tax in 1988, compared with profits of £416,848 in the previous year. Ketson said the extent of the problems — caused by low sales, poor reporting systems and an inappropriate cost structure — only emerged fully in January of this year.

The PR company was included for three and a half months, but losses of £878,000 at existing businesses meant Ketson as a whole was still in the red in the year to December 31, losing £960,000 before tax againsts profits of £494,000 in 1987. The loss per share was 7.8p, compared with earnings of 3.8p.

Ketson said its balance sheet had been hit by total trading losses of £3.14m for all group companies, reorganisation and rationalisation costs of £2.07m, and other write-offs — mostly goodwill — of £1.13m. About £4.53m of that was directly attributable to Moorgate.

Evode pulls ahead in battle for Chamberlain

By Clay Harris

EVODE pulled ahead yesterday in the final stretch of the two-horse race for Chamberlain Phipps.

It was still not clear last night, however, whether either Evode or its rival, Bowater Industries, would gain enough support to secure the shoe components and adhesives group before today's deadline.

Evode's all-share offer has the backing of the Chamberlain board, and it said a late flurry of acceptances had raised the total owned or tendered to 41.1 per cent by 11am yesterday and that it was still counting. The latest comparable total for Bowater's cash bid was 29.2 per cent.

Bowater yesterday emphasised that it did not intend to be a long-term holder of Evode shares if its rival won, and thus would dispose of them as soon as practicable if a price close to the current market price could be obtained.

Evode interpreted this as an effort to depress the value of its shares but they remained steady at 190p, valuing Chamberlain at 237p, against a unchanged market price of 223p. Bowater is offering 230p in cash.

Neither bidder has spelt out what it would do if both offers fell short of 50 per cent at 1pm today. Such a situation is not believed to have arisen in a UK takeover bid since June 1986 when rival bidders for the Country Gentlemen's Association finished with 49.28 per cent and 46.2 per cent.

Because of exceptional circumstances in that case, the Takeover Panel allowed a two-week extension, during which one side won. Normally under the Takeover Code, both offers would lapse and neither company would be allowed to bid again for a year.

European Leisure cuts Edenderry links

By John Ridding

EUROPEAN LEISURE, the night clubs and leisure group headed by Mr Michael Ward, the corporate financier, is finally cutting its remaining links with Edenderry Shoes, the Irish shoemaker which provided its path to the stock market.

The company is to sell Edenderry to management for I£500,000 (£420,000). Inter-company debts of I£1.2m will also be written off. The shoe business has been in decline for a number of years and in the year to the end of June 1988 reported pre-tax losses of I£60,000. Net assets at this time were I£945,000.

At the same time European Leisure announced the acquisition of a further three night clubs. It will pay approximately £3.13m in cash and shares for two Mr G's nightclubs in Aberdeen and Inverness and £2.25m, also in cash and shares, for Fallows night club in Liverpool.

Mr Ward said the acquisitions would "reinforce the company's developing network of high quality nightclubs and will benefit from being part of a larger, well-managed group."

He added: "The release of funds from an unprofitable mature sector to the fast growing leisure sector will materially benefit the company."

The Mr G's discos, which have net assets of £2.84m, incurred a pre-tax loss of £41,000 for the year to March 31. Consideration for the acquisition will include £525,000 from the issue of new shares.

Fallows Night Club has net tangible assets of £774,000 and profits before interest and tax were £23,101 for the six months to end-March.

Since Mr Ward bought into Edenderry by means of a rights issue in July 1987, the company has made three sizeable leisure acquisitions - Lanton Leisure, for £10.25m, Camden Palace, for £9.5m, and Mr Michael Quadrini's disco interests for £6.5m. The new additions mean that the group now controls 28 discotheques and 14 pubs.

Geest gains foothold in the US

By Andrew Hill

GEEST, the fresh produce and prepared foods group best known for its banana import business, has bought a US manufacturer of chilled prepared salads for up to $17.1m (£10.3m) in cash. It is the UK group's first major expansion into the fragmented US prepared salad market.

An initial payment of $13.1m for Manor Hill Food Corporation, which is based in Baltimore, Maryland, could be followed up with a maximum of $4m in 1990 and 1992.

Manor Hill's vendors will earn up to $1m if the company makes more than $2.5m before tax in 1989. If average pre-tax profits exceed $3.4m in the three years to December 31 1991, they will receive a further $3m and three executive directors at the US group will earn bonuses of up to $3.3m.

In the year to December 31 1988, Manor Hill made $1.9m before tax on turnover of $14.1m. The net assets of the company at completion of the deal are expected to be $1.3m.

Geest claims to be the market leader in the UK chilled prepared salads market. The group said yesterday it hoped to use Manor Hill as a way into the US market, which it estimates is worth about $700m annually and is growing at about 25 per cent a year.

OTT in £27m German shipping acquisition

By Kevin Brown, Transport Correspondent

OCEAN TRANSPORT & Trading yesterday announced the purchase for $45m (£26.9m) of OSA Marine Services and a fleet of 50 offshore support vessels from VTG, the transport subsidiary of Preussag, of West Germany.

The acquisition is a further step in Ocean's move away from deep sea container shipping towards the fast growing distribution and industrial services sectors.

Ocean plans to combine the OSA fleet with the 45 offshore support vessels operated by its subsidiary OIL in the North Sea and West African production fields. The combined fleet will be the largest in Europe, and the third largest in the world.

The OSA fleet is currently employed in support of a wide range of offshore production and exploration projects in the North Sea, West Africa, South America, the Middle East and South East Asia.

Mr Nicholas Barber, chief executive of Ocean, said OIL had been a major contributor to the strong profits growth of Ocean's marine services businesses over the past two years.

"It has out-performed the market both financially and in the quality of its service. The acquisition of OSA, with its high operational standards, further strengthens our offshore business," he said.

Ocean's marine services division made a trading profit of £10.2m last year on turnover of £61.6m. The group made a pre-tax profit of £38.5m, down from £41.2m in the previous year.

Platon disposes of loss maker Dicoll Electronics

By Vanessa Houlder

PLATON INTERNATIONAL, the troubled USM-quoted measurement, control and information technology group, yesterday announced the sale of loss-making Dicoll Electronics for £1.

DEL, together with its 90 per cent interest in its DDL subsidiary, has been sold to Yearbest, a private company controlled by Mr Brian Collier.

Mr Collier was joint managing director of Platon until his resignation in February, for which he received £50,000 in compensation.

The DEL group made a loss before group charges of £432,000 in the year to March 1989, when it had net tangible assets of £62,000 and an overdraft of £322,000.

Platon has subscribed for 100,000 preference shares of £1 to assist Yearbest's working capital requirements. It has also provided a £50,000 unsecured bank guarantee until March 1990. Platon said that after the disposal of DEL it would focus its development on its core instrumentation and measurement technology business.

Allied Insurance shares jump on appointments

Shares in Allied Insurance Brokers Group jumped 39p to 136p yesterday after Mr Nigel Cayzer and Mr Rupert Galliers-Pratt were appointed to the board. At the closing price, the USM-quoted insurance broker has a market value of £4.3m.

The two men, who are brothers, own a total of 8 per cent of Allied's shares, buying their latest 6.9 per cent tranche last Friday at 82p.

Warnford rises 27% and lifts dividend 4p

Taxable profits at Warnford Investments, a property investment group, expanded 27 per cent to £6.44m in the year to December 25 1988. Turnover advanced 16 per cent to £9.46m.

A proposed final dividend of 15p makes a total 4p higher at 24p and is payable from earnings of 43.27p (34p) per 20p share.

Directors also proposed a sub-division of exisiting shares into 5p shares and an increase in the authorised share capital from £2m to £2.6m by the cancellation of the deferred ordinary class and the creation of an additional 12.8m new ordinary.

King & Shaxson profits dip

King & Shaxson Holdings announced a drop in profits for the year to April 30. After rebate, taxation and transfer to contingencies reserve they fell from £1.75m to £1.7m. The final dividend is maintained at 6.75p for an unchanged total of 9.25p.

CEI shares fall

Shares in Cambridge Electronic Industries fell 22p to 221p after Mr John Jackson, chairman, told shareholders that the board viewed the outlook for the first half of 1989 with some caution. At the annual meeting he maintained that although the group was well on its way towards its strategic objectives, there was still much to be done to achieve what the company believes possible.

Assoc Paper shares hit by slump in profits to £1m

By Vanessa Houlder

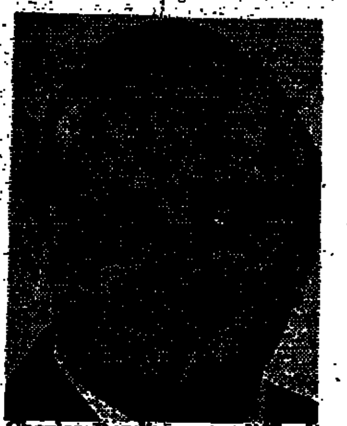
ASSOCIATED PAPER Industries yesterday announced that its pre-tax profits had slumped from £3.12m to £1.04m for the six months to April 1. This resulted from a decline in all its operating areas which include paper, stamping foils and air conditioning.

The announcement, which followed a profits warning in February, sent the shares down from 235p to 219p.

Mr Charles Rawlinson, chairman, said it had been a difficult half year, characterised by falling volumes and margins. In the short term margins were still under pressure but the outlook had improved, he said.

Mr Adrian Missenden, who took over as group managing director on April 1, said the group had embarked on a strategic review with the help of outside consultants. It intended to move from being production-led to being a marketing-led business, which would improve its service through closer attention to the needs of its ultimate customers.

Group turnover for the half year fell by some £3.5m to £39.78m. Profits in the papermaking, paper and film converting division fell from £2.41m to £1.65m on a decline in turnover from £23.43m to £22.14m. This was partly due to a loss of market share, after a prolonged machine breakdown and falling demand for brown envelope papers.



Charles Rawlinson: a difficult half year

The stamping foil division reduced profits from £911,000 to £408,000 after volume and margin erosion at its Whiley business. Capital expenditure of £4m is being made in the division. The air conditioning, purification and distribution operations saw profits fall from £387,000 to £227,000 after a dip in orders at its purification products company.

Interest charges cost £411,000, compared with a gain of £71,000 last year, when it benefited from an exceptional currency gain of £395,000.

An extraordinary loss of £2.42m resulted from group reorganisation costs, mainly stemming from the closure of its Bollington plant.

Earnings per share fell from 9.7p to 3.3p. The dividend was unchanged at 2.75p per share.

● COMMENT

Although it may not be obvious from these dismal results, API could have a promising future. Despite the current lull in its business, they have good prospects since companies are expected to spend more on promotional packaging to differentiate their products. API has invested well in capacity and, if it improves it marketing skills, it should be to exploit these growing opportunities. The outstanding question, though, is whether a predator will step in at this point or whether the new managing director - who has been greeted with cautious enthusiasm - will be allowed to get on with the task. If API makes pre-tax profits of £3.5m this year, the rating is a lofty 20. Unless takeover speculation starts to bite, the shares may have further to fall.

Change of emphasis at Hambro Country

By Philip Coggan

HAMBRO COUNTRYWIDE, the estate agency and financial services group, has secured two tied agency agreements for its financial services subsidiary, Hambro Guardian, as part of its attempt to diversify from its dependence on the depressed residential property market.

Keywest Insurance Brokers, part of the MAI, the money broking and media group, and Unity Mortgages, part of the Unity Trust group which provides services to trade unionists, have agreed to become appointed representatives of Hambro Guardian.

The company, which recently reported a 14.5 per cent fall in 1988 pre-tax profits, has also acquired Hambro Legal Protection, a legal expenses insurer for £3.1m.

HLP promotes various categories of commercial and personal legal expenses insurance through independent insurance intermediaries.

Hambro Countrywide estimates that its non-estate agency businesses will provide 15 per cent of revenues this year and 20 per cent in 1990.

GGT expands in the US and makes £12m cash call

By Andrew Hill

OPERATIONS IN the US will account for nearly a quarter of Gold Greenlees Trott's total revenues following the UK advertising agency's purchase of Martin-Williams, a Minneapolis agency, for an initial $11m (£6.61m) in cash and shares.

GGT announced the acquisition yesterday along with a two-for-five rights issue to raise £11.9m for further expansion, and a profits estimate for the group of at least £5.1m before tax in the year to April 30 – a 57 per cent increase over the previous year.

On a notional tax rate of 38 per cent, that represents earnings per share of at least 30p, against 22.37p in 1987-88.

GGT, which bought the Atlanta advertising agency Babbit & Reiman for up to $3.55m a year ago, will make a further payment of up to $6m for Martin-Williams depending on its profits in the 16 months to April 30 1990. Mr Matthew Allen, GGT's finance director, said the UK agency did not favour long deferred payment periods.

The initial $11m payment for Martin-Williams includes $4.55m of cash – $2m of which will be used to buy new GGT shares – a $5m cash payment to nine key employees and a $1.5m bonus payment to the board and senior management. Martin-Williams staff will also be part of a profit-related bonus scheme over the next six years.

In the year to December 31 1988, Martin-Williams made profits of $2.01m before tax and non-recurring items.

The issue of 4.59m new ordinary shares is being made at 265p, compared with yesterday's closing price of 317p, down 11p.

"We have been saying for some time that we see a four-centre regional strategy in the US: we want to have agencies of reasonable size on the west coast, in the south-east, mid-west and in New York," said Mr Allen yesterday.

He added that GGT would probably not buy any more US agencies this financial year, but before the end of 1989 the group might have reached two of the four European centres – Frankfurt, Paris, Milan and Barcelona – where it wants to be represented.

Kenyon sets up plan for pre-paid funerals

By Andrew Hill

KENYON SECURITIES has become the last of Britain's quoted funeral directors to set up a pre-paid funeral plan. Forethought, as the venture is called, will be operated with Royal Insurance, which will act as fund manager for the scheme.

Mr Michael Kenyon, chairman, said yesterday: "We started planning this about two and a half years ago, but we have taken a lot of care and investigated in the US and Europe quite extensively before doing anything."

He said Forethought would allow the customer to choose one of five fixed-price plans, or arrange specific details with a local funeral director. The scheme also offers a choice of five "memorial plans", enabling the customer to select a headstone in advance.

Plans for further involvement by the Royal are still at an early stage: the insurance group might eventually market the scheme through its branches, and offer financial advice to Forethought subscribers.

Market research has shown that in the US about 22 per cent of funerals are paid for in advance. Kenyon's quoted competitors, Great Southern Group and Hodgson Holdings, already operate similar schemes, offering a choice of two or three set funerals, paid for in advance in a lump sum or monthly instalments.

Unlike Great Southern's Chosen Heritage scheme, and Hodgson's Dignity in Destiny, which are marketed through Age Concern and Help the Aged respectively, Forethought is not linked to any national charity. Mr Kenyon said the group might look at the possibility later.

The Co-operative Wholesale Society — part of the Co-op, the UK's largest funeral business — runs another scheme, the Funeral Bond, which allows customers to decide on details of the funeral with a specific funeral director, paying in advance at local prices.

Flag plans merger after incurring loss of £15.91m

By Nigel Clark

FINANCE LAND and General Holdings, formerly Bolton House Investments, is proposing to merge with Tower Heritage Hotels, a private company based in Winchester. The move was announced at the same time as a taxable loss of £15.91m was reported for the 15 months to the end of June 1988.

The board of Flag said the merger was needed the enhance the company's recovery within a financially stronger group.

The loss, on revenue of £2.19m (£1.23m), compared with a profit of £1.51m for the previous 12 months. The result was struck after provisions of £15.78m (£602,000) against a fall in the value of assets.

Mr Peter Laister said that since he became chairman in September there had been an almost complete change in the board and with a review of its investments which indicated the need for provisions of £9.55m.

He added that the portfolio had been rationalised leaving a smaller more solid base.

The merger is to be effected by offers from a new company, Tower Group. For each of Flag's 5p shares, which are traded on a matched-bargain basis, Tower is offering one 2.5p share, involving the issue of 55m shares, or 39 per cent of issued share capital of the new company.

For Tower Heritage, which operates five hotels and restaurants, there will be an initial payment of £3.41m, satisfied by the issue of 85.13m shares, representing 61 per cent of the Tower Group capital, and further performance-related payments.

In addition Tower intends raising a net £2m through the offer of sufficient shares at 4p.

SHARE STAKES

The following changes in share stakes have recently been announced:

Allied Insurance Group: Trycourt Financial Holdings has disposed of its interest in 219,000 shares (8.91 per cent).

Associated Farmers: NDS Brown and Brit-N have bought a total of 102,500 25p ordinary shares representing 5.4 per cent of the capital. The respective holdings are as follows. NDS Brown 57,500 shares and Brit-N 45,000 shares.

Associated Nursing Services: Scottish Amicable Investment managers have acquired 25,000 shares bringing the total holding to 626,018 (11.48 per cent).

UK COMPANY NEWS

Losses at NZI Bank hold GA's profits to £55.5m

By Nick Bunker

A WORSE than expected £15.8m loss at General Accident's troubled NZI Bank subsidiary was a factor in a 5 per cent drop in the composite insurer's first quarter pre-tax profits to £55.5m.

Much of the NZI loss, which was about £5m worse than City analysts' forecasts, lay in costs of shedding staff and restructuring at the bank, which was hit heavily last year by the side-effects of the Rothwells collapse in Western Australia.

With US profit margins under pressure from the two-year-old downswing in the property/casualty underwriting cycle, GA nonetheless saw worldwide underwriting losses fall 6 per cent to £19.8m on non-life premiums of £696m. Investment income was up 16.7 per cent at £96.4m.

GA's solvency margin (*shareholders' funds as a percentage of non-life premiums*) rose though from 73 per cent at the end of last year to 83 per cent currently, demonstrating the strength of the capital appreciation in its equity and property-oriented £5.2bn *investment portfolio.*

The main reason for the drop in underwriting losses lay in a *better-than-expected performance* in the three months to March 31 from GA's UK non-life arm.

A drop in motor claims frequency combined with the impact of rate increases meant GA's motor business showed a £1.2m underwriting profit, compared with a £2.5m loss in 1988. Mild weather helped, with householders' insurance showing a £3.5m underwriting profit.

In the US, where intensifying price competition has been hitting insurers since early 1987, GA saw underwriting losses climb from £14.5m to £17.5m, with most of the deterioration in its commercial lines business.

GA's worst performing market was Canada, where underwriting losses mounted to £5.1m. The Pacific Basin produced a £4.2m underwriting loss, described by GA as "encouraging, in what is traditionally a difficult quarter."

● COMMENT

You may call GA over-capitalised, with a solvency margin this high, but at this stage in *the underwriting* cycle the balance sheet matters more than the profit and loss account. In the US, GA is raising its motor premium rates by up to 12 per cent in Virginia: but with claims costs trending upwards by as much, margins are bound to deteriorate. Geared mainly to the Atlantic, GA has little directly to fear from Ralph Nader's anti-insurer crusade in California, but its commercial lines business worsens by the day: while in the UK, little scope remains for more premium rate increases. The *squeeze on margins means that* reserves against outstanding claims from earlier years just better had be adequate: and if GA is over-capitalised, it also looks over-reserved too. Given that the US downturn could stretch into 1991, that is no bad thing: and the high risk profile GA can afford in its investment portfolio has helped net assets per share swell from 915p at end-1988 to 1079p now. But GA's shares closed on a meagre 945p last night, a rating which over-discounts the ill-effects of the acquisition of NZI in 1988.

GPA $150m equity issue

By Kieran Cooke in Dublin

GPA, based at Shannon in the Irish Republic and the world's leading aircraft leasing company, is to raise $150m (£90m) through a new equity issue.

According to Dublin market reports, the share placing will be made before the end of June and will be aggressively priced at more than $400 per share.

This would value GPA at $2.5bn. Last year a number of Irish institutions paid between $250 and $285 per share for a stake in GPA. GPA would not comment on the new issue.

It is understood that a number of new investors are likely to buy into GPA as well as existing Irish and international shareholders.

Mr Tony Ryan, who helped found GPA in the mid-1970s, has through successive share issues maintained an 8 per cent stake in the GPA Group. Other major shareholders include Air Canada, the Mitsubishi Corp, Aer Lingus and Irish Life Assurance.

Better cost control boosts CRS

By David Churchill

CO-OPERATIVE RETAIL Services, Britain's largest retail co-op, yesterday announced a 20 per cent increase in its trading surplus to £32.5m for the year ending January 28.

The increase was achieved in spite of a sales increase of just 6.2 per cent to £1.06bn.

CRS, which is owned by its members, operates over 800 food and department stores throughout the UK as well as other activities, such as its undertaking service.

Mr Brian Hellowell, CRS chairman, said yesterday that the increased trading surplus had been achieved by improved merchandising and cost control in spite of the squeeze on retail activity.

"The results from our new marketing approach, involving substantial investment in store redesign and refurbishment, have been very encouraging," he said.

Investment in new stores and refurbishing existing ones led to a two-thirds increase in capital expenditure to £76.3m. However, this was partially financed out of cash flow, leading to a 10 per cent fall to £7m in interest payments.

The CRS's food division operates through three trading identities – Co-op Leo's, Market Fresh and Stop and Shop. Sales through these stores rose by 5.7 per cent to £803m last year.

The dairy division maintained sales at £112m in line with a static market. Non-food department stores – trading as Living and Homeworld – achieved a 14.4 per cent sales increase to £191m.

The funeral division increased sales by 9.3 per cent to £20m in spite of "strenuous competition," according to the CRS.

CRS said yesterday that it planned to expand its Shareholder Card which it launched in two areas last year. The card provides a range of financial services in conjunction with the Co-operative Bank.

Rowland-Jones to fight Bremner board on sale

By Clay Harris

MR JAMES Rowland-Jones, the former Bremner chairman who has tried unsuccessfully several times to unseat his successor, is preparing another challenge to the current management at the Scottish stockbroking and property company.

His latest target is Bremner's agreement to sell the group's former Glasgow department store for £2.5m. The deal is subject to approval by shareholders at an extraordinary general meeting, the date for which has not yet been set.

Mr Rowland-Jones, who has a 13.9 per cent stake in Bremner, said yesterday that at least two higher offers had been received for the property. He would be asking shareholders to make him their proxy to accept the highest available price or the highest-value joint development deal.

The possibilty of another chapter in the long-running saga emerged as Mr Dennis McGuinness, Mr Rowland-Jones's rival, announced he would resign as chairman within three months, although he would remain as an executive director.

Mr McGuinness said yesterday that the offer which had been accepted, from the Scottish clothing retailer What Everyone Wants, had been the best on the table which was not subject to conditions such as planning consent or a structural survey.

Venture Plant spends £2.86m on two purchases

By Vanessa Houlder

Venture Plant Group, a plant hire company that joined the USM last December, yesterday announced the acquisition of PTL (Plant Hire) and Caledonia Crane Hire for a total of £2.86m. It also announced interim pre-tax profits of £378,520 and turnover of £3.82m for the six months to March 31.

The acquisitions will be financed by the issue of 2.3m new shares and a further 483,067 shares will be issued to cover expenses. An open offer has been arranged on a 3-for-16 basis at 105p per share.

The interim profit compares with a pre-tax profit of £958,000 for the year to September 1988. Earnings per share of 2.33p were announced, compared with 8.3p for the year to September 30. An interim dividend of 1.25p has been declared.

UEI 24% up in year of organic growth

By Clare Pearson

UEI, the high technology electronics and engineering group, yesterday announced pre-tax profits up 24 per cent to £31.11m, and earnings per share 22 per cent higher at 28.4p, in the year to end-January.

Mr Peter Michael, chairman, said it had been an exciting year of important new product introductions in each of the four divisions, and the profits advance had been entirely achieved through organic growth.

Turnover rose to £163.63m (£141.87m), split as to £47.32m (£47.27m) for the UK, masking an 8 per cent like-for-like rise, and £115.7m (£94.6m) for exports. The proposed final dividend is 5.4p making 8p (7p) for the year.

The initial reception to the introduction by Quantel, the sound and vision company, of Paintbox Series V, a videographics system which is both much cheaper and more sophisticated than its now nine year-old predecessor, had been highly favourable. It is expected to open up graphics painting to new types of users.

Other notable developments were the $20m acquisition last November of The Nucleus, a US nuclear detection equipment company, which fitted in with UEI's X-ray spectrometers, and the successful launch of the Sapphire RS Cosworth by Ford, one of the main customers for UEI's Cosworth subsidiary which makes racing and high performance car engines.

UEI has this year made a $32m (£19m) agreed bid for Unitel Video, the New York video recording company. This last move showed UEI's keenness to move into services where they fitted in with its manufacturing strengths, as well as a renewed emphasis on the US, Mr Michael said.

● COMMENT

Albeit that this year UEI, a world leader with many of its products, should continue to show a 20 per cent-plus growth rate, its shares hardly appear cheap on a prospective p/e of over 14 if it makes between £37m and £39m this year, depending on when the Unitel acquisition is consummated. However, the purchase may have a significance far beyond its size in that it underlines the extent of the company's involvement in the broadcasting industry: deregulating, compelled to keep up with the latest technological developments, and the main customer for UEI's biggest, and fastest-growing division, sound and vision. The company still looks like a worthwhile long-term investment.

COMPANY NOTICES

BANQUE NATIONALE DE PARIS

Joint-stock company with an authorized capital of FRF 2.939.599.400,-
Registered Office : 16 Boulevard des Italiens - PARIS (9 ème)
Trade Register PARIS B 662 042 449

NOTICE OF PREPAYMENT

US$225,000,000 - FLOATING RATE NOTES DUE 1996

Notice is hereby given that, in accordance with clause 'EARLY REDEMPTION' of the conditions of the notes, BANQUE NATIONALE DE PARIS will prepay all of the outstanding notes at par on June 15, 1989 when interest on the bonds will cease to accrue.

Payment of principal will be made upon presentation and against surrender of the notes *with all unmatured coupons attached.*

Accrued interest due June 15, 1989 will be paid upon presentation and against surrender of coupon on or after June 15, 1989.

PAYING BANKS :

BANQUE NATIONALE DE PARIS, NEW YORK
499 PARK AVENUE, NEW YORK, N.Y. 10022

BANQUE NATIONALE DE PARIS (HEAD OFFICE)
16, BOULEVARD DES ITALIENS, 75009 PARIS, FRANCE

BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.
24, BOULEVARD ROYAL, LUXEMBOURG

BANQUE NATIONALE DE PARIS PLC
8-13 KING WILLIAM STREET, LONDON EC4P 4HB, ENGLAND

KUWAIT INVESTMENT COMPANY (S.A.K.)
SOUQ AL-MANAKH BUILDING, MUBARAK AL-KABIR STREET
PO BOX 1005, SAFAT 13011, KUWAIT

ESPIRITO SANTO FINANCIAL HOLDING S.A.

Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg n° B 22232

Avis de convocation

Messieurs les Actionnaires sont convoqués par le présent avis à l'Assemblée Générale Statutaire qui aura lieu le 26 mai 1989 à 11.00 heures dans les bureaux de la Kredietbank S.A. Luxembourgeoise, 43, boulevard Royal, Luxembourg, avec l'ordre du jour suivant:

Ordre du Jour

1. Rapport de gestion du Conseil d'Administration et rapport du Commissaire.
2. Approbation des comptes annuels et affectation des résultats au 31 décembre 1988.
3. Décharge aux Administrateurs et au Commissaire.

Le Conseil d'Administration

THE KOA FIRE AND MARINE INSURANCE COMPANY, LIMITED

NOTICE TO HOLDERS OF

US$70,000,000 1⅞ PER CENT. CONVERTIBLE BONDS DUE 2002

OF

ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 6 of the Trust Deed dated 11th August, 1987 under which the above Convertible Bonds were issued, notice is hereby given as follows:

The Company made a public offering of 8,000,000 Shares of common stock of the Company at an issue price of Japanese Yen 1,245 per Share and with a payment date of 21st April, 1989. As a result of such offering, the Conversion Price of the above Bonds has been adjusted in accordance with Condition 4(C) of the Terms and Conditions of the Bonds from Japanese Yen 877 to Japanese Yen 874.90, effective as from 22nd April, 1989.

Date: th May, 1989

THE KOA FIRE AND MARINE INSURANCE COMPANY, LIMITED

(THE SANWA BANK, LIMITED
LONDON BRANCH
as Principal Paying Agent)

NOTICE TO THE HOLDERS OF BONDS OF THE ISSUE 9% 1977/1995 OF US$ 50.000.000 MADE BY THE EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the annual installment of bonds amounting to US$ 1.750.000,- has been purchased for redemption on June 15, 1989.

Outstanding Amount after June 15, 1989: US$ 29.000.000,-

BANQUE PARIBAS LUXEMBOURG

COSTAIN GROUP PLC
111 Westminster Bridge Road, London SE1 7UE

NOTICE TO BOND HOLDERS OF COSTAIN GROUP PLC U.S.$50,000,000 7⅝ per cent. Bonds due 1992

In accordance with the provisions of the issue, notice is hereby given that at an *Extraordinary General Meeting to be held* on 24th May 1989, the ordinary shareholders of Costain Group PLC will, inter alia, consider proposals:

(i) to give general power to the directors to offer new ordinary shares in lieu of cash dividends payable on ordinary shares; and

(ii) to authorise such an offer to be made in respect of the final ordinary dividend for the financial year ended 31st December 1988 and, if the Board so decides, in respect of any other dividends recommended or declared by the Board up to 31st December 1989.

BY ORDER OF THE BOARD

LEGAL NOTICE

Procédure de concordat pour les banques et les caisses d'épargne Canton de Genève

Débitrice : BANQUE DE CREDIT INTERNATIONAL, GENEVE, EN LIQUIDATION CONCORDATAIRE

Conformément à l'Article 43 de l'Ordonnance du Tribunal Fédéral du 11 avril 1935 concernant la procédure de concordat pour les Banques et les Caisses d'Epargne, la liquidatrice a dressé un état du patrimoine au 28 février 1989 et un rapport sur son activité à cette même date. Elle les a transmis à la Commission des créanciers pour être communiqués à l'autorité de concordat.

Les créanciers pourront en prendre connaissance auprès du

Greffe de la Première section de la Cour de Justice, Palais de Justice, 1211 Genève 3

Genève, le 28 avril 1989

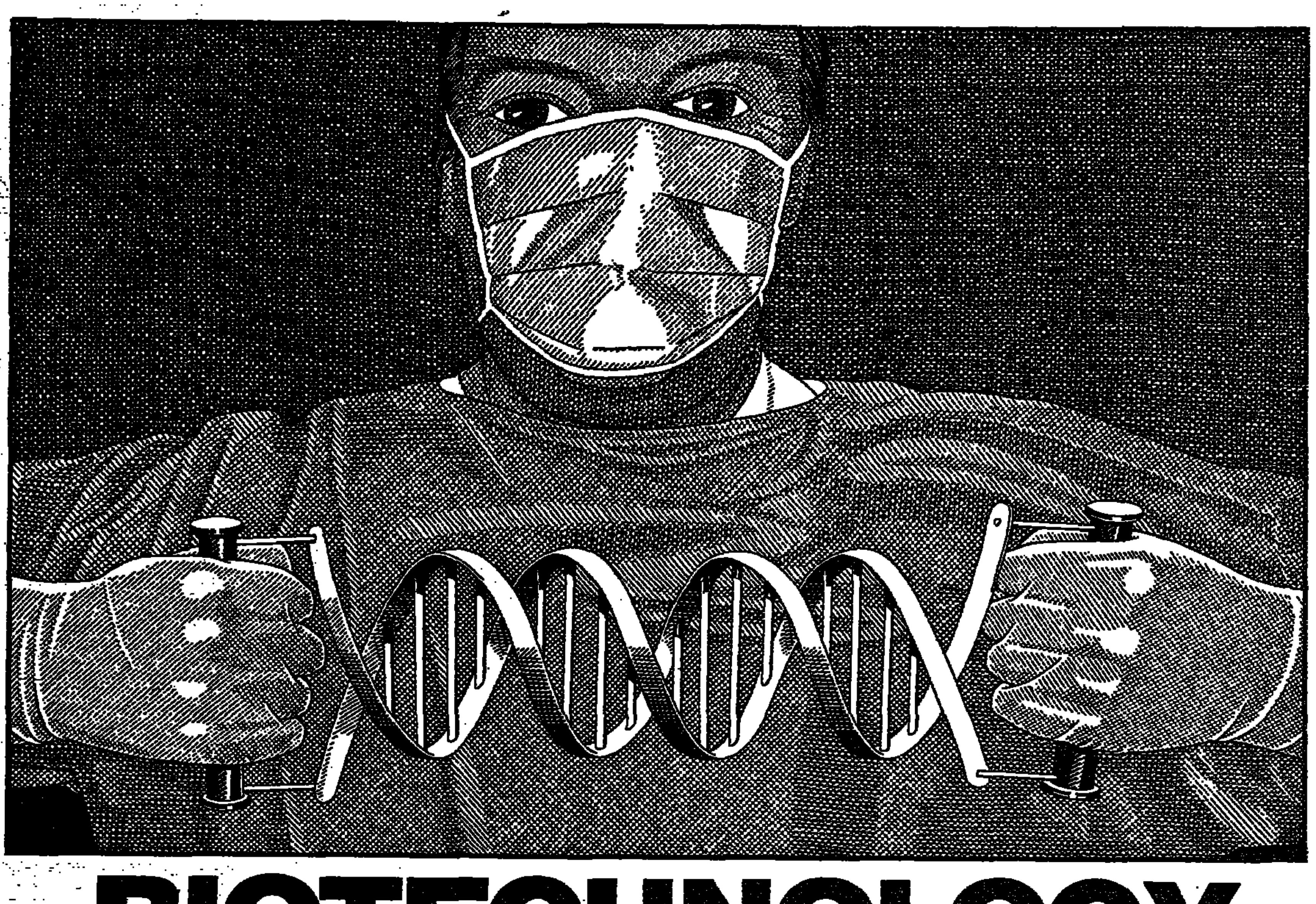
La Liquidatrice :

DELOITTE HASKINS + SELLS S.A.

FINANCIAL TIMES

SURVEY

The "enabling technologies" of biotechnology are taking longer than was once forecast to find their role in medicine. But Europe and Japan are emerging as fertile ground after a decade in the shadow of US bio-entrepreneurs, says **David Fishlock**, Science Editor



BIOTECHNOLOGY

CONTENTS

Illustration: Robin MacFarlan

Time span of success

IT TAKES up to 10 years to develop a new pharmaceutical. That fact was simply not appreciated by many enthusiastic entrepreneurs from academe who helped pioneer the commercial use of the new biotechnologies, Dr Robert Fildes, chief executive of Cetus, told investment analysts in London recently.

Even today it is not widely known that only one in four submissions by pharmaceutical companies of new compounds to the US Food and Drug Administration, seeking a product licence, wins approval first time.

The research and development bill for a drug company of each major new advance in chemotherapy, taking account of all those that fail, is uncomfortably close to £100m. Such facts help explain what has been happening to the few hundred new biotechnology firms launched since the late-1970s, mostly in the US. They are fast coalescing in a rising frequency of acquisitions and mergers as the new industrial sector matures.

Biotechnology is not a new industry. It has long been around as industrial microbiology, the basis of many industrial processes for the food, drink and drug industries. What emerged from academic science in the 1970s was some powerful new "enabling technologies" which promised to revolutionise industrial microbiology for these and other industries.

Early targets of these new technologies – often called collectively "genetic engineering" – such as interferon and the interleukins have certainly not failed. But they are taking much longer than their promoters once forecast to find their role in medicine. Although they are faithful copies of natural substances, when administered in amounts that seem to combat serious sickness they have proved neither cure-alls nor free from toxicity.

Cetus – one of the oldest of the new wave of biotechnology firms – is poised to launch Proleukin, its own genetically engineered interleukin-2, initially to treat an incurable kidney cancer known as metastatic renal carcinoma, for which other drugs have not been effective. Clinical trials show a positive response in 30 per cent of patients, the company claims.

Cetus has invested over £10m in production plant in California to make this peptide as a cancer treatment in both the US and European markets, as soon as it receives product licences – in Europe, it hopes, later this year. It also believes its recent pact with Hoffmann-La Roche has neutralised its only rival within sight of a product licence for interleukin-2 in the next few years.

Nevertheless, investors have every reason to be wary. The experience of Genentech, another Californian entrepreneur from the mid-1970s, is still fresh in their minds. Genentech boasts the most impressive portfolio of genetically engineered inventions, and picked one called tissue plasminogen activator (TPA) as the drug that would transform it from a research company into a $1bn-a-year pharmaceuticals group.

TPA is known colloquially as a "clot-buster" or substance that dissolves potentially deadly blood clots formed during a heart attack or surgical operation, for example. It was competing against an older clot-buster called streptokinase.

Genentech embarked on a marketing programme to bring Activase, as it named its TPA, to the attention of the US medical community. And the company increased the pressure when the FDA rejected its first application for a product licence, in mid-1987.

Activase came on the market early last year at a price per treatment of $2,200, or 11 times higher than streptokinase, a premium it justified by claiming greater efficacy and safety. Its marketing programme succeeded in building sales to "the highest ever for any drug during its first 12 months on the US market." Nevertheless, they were still well short of Genentech's target last autumn when doubts began to circulate in the hospitals and clinics whether Activase really was any improvement at all on the cheaper clot-buster.

High profile activities of this kind have helped provide ammunition for those who campaign in favour of severe curbs on the transfer of genetic engineering into industrial and agricultural practice.

In the US, anti-biotechnology campaigners have successfully hampered attempts to transfer potentially valuable laboratory experiments in imparting frost resistance to crops in Californian fields. In Europe, they have successfully hampered the use of genetically engineered bovine somatotrophin (BST) to enhance milk yields by up to 20 per cent.

European opposition is strongest in West Germany, where the Green Party appears to view biotechnology with the same reservations as it has towards nuclear energy; it is something to be discouraged at all costs.

Opponents persuaded the European Parliament to impose a ban on growth stimulants for beef cattle without even considering the evidence of a scientific committee that the Euro-MPs had asked to investigate the case. In Britain, the National Farmers Union of England and Wales last month endorsed a ban on BST – in defiance of the advice of Mr Simon Gourlay, its chairman.

In Brussels, Mr Filipo Maria Pandolfi, the new European Commissioner for research and development, took the unprecedented step of blocking a planned £10m European Community participation in the international human genome programme, in response to the lobbying of West German Greens.

This opposition is appearing at a time when Europe is emerging as a fertile territory for biotechnology, after a decade in the shadow of the more assertive bio-entrepreneurs of the US. Last summer Lord Rothschild, founding chairman of Biotechnology Investments Limited (BIL), NM Rothschild's specialist trust, announced that after backing

There are 'hidden jewels' to be discovered in Europe's universities

mostly US-based start-ups for its first seven years, BIL was turning its expertise towards Europe. He believed there were "hidden jewels" to be discovered in European universities.

BIL's investment managers have begun to report success in their jewel-hunting. They are finding the gems through big companies such as Elf in France, with a declared interest in diversifying into biotechnology. Such companies – in agro-chemicals, oil and health care – are spotting the talent, then turning to BIL for its expertise in evaluating bio-entrepreneurs both technically (through its science advisers) and managerially, says Mr Jeremy Curnock Cook, heading BIL's advisory team.

Its strength, he says, lies in its experience of helping to develop the strategic thinking of over 50 biotechnology start-ups in which it has already invested.

As Mr Curnock Cook sees it, the US scene for biotechnology start-ups has begun to mature, with companies coalescing increasingly, now that the first products are reaching the market. Although BIL has backed more start-ups in Britain than in the rest of Europe together, the UK portfolio remains small compared with that for the US.

Now he has begun seriously to do something BIL previously rarely found time for in its first wave of US investment, namely to seek out and "seed" new ideas from scratch, and give entrepreneurs their first chance to prove they can create a new business.

Mr Curnock Cook's first seed investment is in information technology relating to health care, where he is backing a "computer-literate" surgeon with a better idea of scheduling his patients, to their advantage as well as his own convenience, he claims.

Europe is also well in the van with some of its commercial bioprocesses. Celltech remains in the vanguard with its large-scale (kilogram) culture of monoclonal antibodies. Each kilogram is worth about $1m.

Marlow Foods, the joint venture between Ranks Hovis McDougall and ICI, is selling Quorn, its mycoprotein made by continuous fermentation, for inclusion in more than a score of food products associated with such names as Sainsbury's, Safeway, BhS and Tesco. Quorn sells at the rate of about 1,500 tonnes a year. This year the company expects to decide on a threefold scale-up, a £20m commitment for the two partners.

ICI is also pioneering what it believes will be the first production-plant anywhere to use a biotransformation to produce a pure herbicide intermediate, free from "isomer ballast",

It may be 10 years before commercial applications pay off

Why Japan's 'copiers' have got the creative urge

BIOTECHNOLOGY is one of the fields, along with microelectronics and superconductivity, in which Japan's rapid transition from a major purchaser of technology to a major developer of it can be seen most clearly.

By most assessments, both in and outside Japan, the country's research institutions and industrial companies are already doing work in some aspects of biotechnology that is at least on a level with that being done elsewhere. According to a study published last month by the Agency of Industrial Science and Technology of Japan's Ministry of International Trade and Industry, the country is actually predominant in research into the making of complex semiconductors using biotechnology, the so-called biochips.

Certainly all the necessary

Both the Government and the corporate sector are flush with cash

factors are there for Japan to excel. Both the Government and the corporate sector are flush with cash and are looking aggressively for new industrial developments which will sustain the momentum of the country's strong economic growth.

Most leading industrial companies are now internationally competitive in their fields and can no longer hope to improve their positions by buying technologies from abroad. Thus, they are willing to invest heavily in research and development of new products on their own.

In some cases they also appear to be acquiring foreign companies with a view to speeding the process. The purchase two months ago by Yamanouchi Pharmaceutical of the US health products group Shaklee for $395m is thought to have been made in part to improve the Japanese group's position in biotechnology research.

By nature, the Japanese are also willing to take a long view, an approach that coincides perfectly with the profile of biotechnology where successful commercial applications are not expected to be numerous for at least another decade. Indeed, there is growing anxiety in the US that now that the glamour image of biotechnology is fading, the typically undercapitalised US venture company in this field may have difficulty keeping up with the Japanese.

Perhaps most important, the Japanese people are embarrassed about their image as copiers and are eager to shed it. It would not be too much to say that there is something approaching a national campaign in Japan these days to promote creativity and innovation, and investment in biotechnology research is one of the main beneficiaries.

Japan's interest in biotechnology began to take shape in 1981 when the Ministry of International Trade & Industry (MITI) chose recombinant DNA technology, bioreactors, mass cell culture and biochips as research topics for its R&D Project on Basic Technology for Future Industries. The year after, it set up a Bioindustry Office aimed at identifying industrial opportunities to support bioindustry, and in 1985 it established the Japan Key Technology Centre with the Ministry of Posts and Telecommunications, offering loans and grants to private sector research institutes.

MITI has also been carrying out its own R&D in the field, including the development of fuel grade alcohol technology using bacteria, new fuel oil technology using biomass and fine chemicals production technology. In 1985, it began a six-year project to develop a system for recycling contaminated water using biotechnology and membrane separation technology. In January this year, it was instrumental in setting up a joint public-private research centre to promote research activities on marine biotechnology focusing on functions of ocean life.

Other ministries have also got into the act. Under the sponsorship of the Science and Technology Agency, the Institute of Physical and Chemical Research embarked on a 10-year plan in 1977 for life science projects, including developing genetic technology and the creation of a gene data bank. It is also doing research on cancer and senescence, both subjects of great interest in Japan's ageing society.

Meanwhile, the Research and Development Corporation of Japan has undertaken work on bioholonics and information transmission. It has also been putting a lot of effort into developing a vaccine for hepatitis B, a disease much more common in Japan than elsewhere.

The Ministry of Health and Welfare is also working in these areas as well as developing guidelines for the manufacture of pharmaceuticals and food products using biotechnologies. The Ministry of Agriculture, Forestry and Fisheries has been active in biotechnological breeding research for plants and has funded a number of industrial projects in this field.

However, as in other areas of R&D in Japan, the Government's efforts – worth about $400m a year – tend to be small compared with those of big corporations, both in their own laboratories and at those in universities. The rule of thumb is that the corporate sector spends about four times as much on R&D as the Government. Japan's food and pharmaceutical companies have been pouring huge amounts of money into various biotechnology developments while the giant electrical groups have been speeding ahead on finding ways of applying biotechnology to computer and semiconductor development.

In terms of commercial production, the earliest developments in Japan were in pharmaceuticals. Competition emerged about two years ago among companies to commercialise hepatitis B vaccines. Also, Sumitomo Pharmaceuticals launched the first recombinant DNA drug, alpha-interferon, as an anti-cancer drug.

Another area of focus has been the development of recombinant TPA for dissolving blood clots. There was also a rush of enthusiasm for monoclonal antibody diagnostic kits in 1987, but that has calmed down.

Despite the slow development of commercial products, investment is continuing apace. For example, Chugai Pharmaceutical announced in February that it would spend Y10bn to set up a factory for biotechnology-applied medicines in Utsunomiya, 50 miles north of Tokyo. It would be the largest biotechnology-medicine factory in Japan, a company official said.

Chugai has been developing erythropoietin (EPO) and granular colony stimulus factor (G-CSF) through the application of gene engineering technology. EPO is undergoing clinical testing as a substitute for blood transfusions. The company expects production approval for the drug this year. G-CSF is being tested as a drug to prevent the rapid decrease in leukocytes that often occurs in cancer patients being treated with anti-cancer drugs. Chugai intends to apply for production permission this year.

More recently, the focus of biotechnological product development has switched to agriculture, with various companies bringing out new types of flowers and vegetables applying tissue culture. A couple of years ago, a lot of publicity was generated around the development of seedless watermelons and something called a pomato, but now more serious products are emerging. For example, last month Sapporo Breweries set up a joint venture in Peking that will use a clone proliferation technique to raise masses of low-priced orchid seedlings for import and sale to Japanese horticulturists.

Also last month, Japan Tobacco, the dominant tobacco industry in the country, paid

Official policy is that companies should try to work with overseas groups on R&D

$6m for an 8.7 per cent stake in Plant Genetic Systems, a Belgian company active in the genetic engineering of plants. It claims to have pioneered field research in making plants resistant to specific insect predators.

Now that so much R&D work in biotechnology is being done in Japan, the question is how others can get access to it. Japanese researchers, whether in universities or in industries, are no different than their counterparts elsewhere in wanting to keep the benefits of their best work for themselves. However, the Government's official policy is that R&D is an area where Japan can and should contribute to the world and so universities and companies should try to work with overseas groups.

So far, that policy has not been put into practice much. For example, the much-heralded Human Frontier Science Programme, proposed in 1984 by Mr Yasuhiro Nakasone, then prime minister, as an international effort in biotechnology research, has still not got off the ground. But perhaps this is as much because of lack of interest abroad as from inertia at home. The Japanese are usually responsive to foreign pressure.

Ian Rodger
Tokyo

Despite the US industry's problems, there are hopes the promise can be fulfilled

Pendulum 'is set to swing back'

THE PATH from the laboratory to the market place is proving to be long and tough-going for the US biotechnology industry. Despite serious setbacks, regulatory pitfalls and a tangle of litigation, the industry is steadily maturing, however, and beginning to live up to its early promise.

Expectations for the biotechnology industry have changed dramatically over the past two years. Once regarded as a panacea for the world's problems, it is now widely seen as a business fraught with financial problems and technology risks. The hubris and hyperbole of earlier days have been replaced with visions of gloom and doom.

"Yet the promises of biotechnology have not been broken," says Mr Roger Shamel, president of Consulting Resources Corporation, a management consulting firm which follows the biotechnology industry. "Investors were simply misled with regard to how long it would take to deliver on them," he suggests.

The "biobusiness pendulum" is about to begin a new positive swing this year, Mr Shamel predicts, leading to improved confidence and interest in the industry through the early 1990s.

To date, however, it is the industry's problems that have dominated the outlook. In 1988, more than two dozen US biotechnology companies filed for bankruptcy protection. Others have been forced to sell their technology to companies with deeper pockets and many are facing financial problems.

Industry executives expect nearly half of the 500 or so US biotechnology companies to be acquired within 10 years, and one third of them to be acquired within five years, according to a survey conducted by the Arthur Young High Technology Group.

Times have also been tough for some of biotechnology's biggest companies. The excitement surrounding the introduction of the industry's first "blockbuster" drug, Genentech's TPA, a blood clot dissolver used to treat heart attack victims, was quickly dispersed by news that sales have not lived up to expectations.

Genentech's problem reflects that of the entire industry. Expectations were set unreasonably high, it now appears. Sales of TPA set a first year record for any new drug, yet they were less than half of what industry analysts had predicted.

The company was widely criticised for setting the price of TPA too high, at $2,200 a dose — about 10 times that of its competitor, streptokinase. Last month, however, Mr Robert Swanson, Genentech's chief executive, reaffirmed the company's intention to maintain current prices and to step up its marketing efforts. Sales of TPA rose by 25 per cent in the first quarter of the year, to $48.1m, he said.

Despite higher sales, however, Genentech's income fell in the first quarter to $7.1m from $15.2m in the same period last year.

Genentech's sales and earnings reflect an industry-wide trend. US biotechnology sales have grown significantly, up 25 per cent in 1988 over the previous year.

Growth has yet to bring profits, however. In 1988 only 26 per cent of US biotechnology companies were profitable, according to the Arthur Young study. Two-thirds of the companies in the diagnostic and therapeutic sector reported lower net income or greater losses compared to the previous year.

A web of litigation over patent rights with competitors, and over marketing rights with its partner

Amgen Corporation, the second largest US biotech company, suffered a major setback with heavy losses in the first quarter caused by unanticipated delays in obtaining FDA approval for EPO (erythropoietin).

Widely regarded as the industry's next major product, EPO is a drug that increases the body's production of red blood cells, thus reducing the number of transfusions needed by patients with kidney disease and potentially treating many other forms of anaemia.

Amgen had hoped to introduce EPO last year, and the company put together the manufacturing and marketing teams to handle its first major product.

Now, however, Amgen has been caught up in a web of litigation over patent rights with competitors, and over marketing rights with its partner, Johnson and Johnson.

The FDA has delayed its approval of EPO while the legal mess is untangled. It could be several more weeks before that process is completed, analysts predict. In the meantime, Amgen will continue to bleed financially.

When it finally happens, the approval of EPO will be the event of the year in the biotechnology industry. Sales will be closely watched and any sign of weakness could plunge the industry into another cycle of doom.

Already, some industry watchers are nervous. There are concerns about the price of EPO. Like Genentech's TPA, it is expected to cost far more than traditional drugs. EPO is projected to cost kidney dialysis patients more than $6,000 for a one-year supply, placing it beyond the means of many patients.

The annual market for EPO among transfusion-dependent dialysis patients could top $100m in a few years. Already, however, some industry analysts are speculating upon the drug's potential use in other types of illnesses, such as the anaemia that afflicts cancer sufferers undergoing chemotherapy, and rheumatoid arthritis patients and AIDS sufferers being treated with the drug AZT.

Some analysts' estimates put the worldwide market for EPO in 1993 at $3.5bn, with $2.1bn in the US alone. Like Genentech's TPA, it seems that Amgen's new drug may be doomed to fail to live up to inflated expectations.

"Investors need to try to be more rational and realistic in their expectations," suggests Mr Shamel.

A maturing attitude is likely to result in fewer new biotech ventures being formed, he acknowledges, since investors are now more cautious. On the other hand, second generation biotechnology companies are more likely to succeed, having had the benefit of learning from the mistakes of their predecessors, he predicts.

Despite its problems, the industry is quickly moving toward commercialisation, say the consultants Arthur Young. More of the industry's employees now work in production, marketing or sales than in research and development, and industry investments in manufacturing facilities are projected to increase tenfold during the next five years.

US industry sales will exceed $15bn by the turn of the century, Mr Shamel forecasts, with about half of those sales in human therapeutics, one fifth in diagnostics, one fifth in agriculture and about 10 per cent in chemical and other special applications.

Louise Kehoe
San Francisco

INVESTMENT

Only for those with business skills

THE LATEST annual report from the biggest and boldest of the new biotechnology research companies begins with the words: "Genentech began and continues to lead the biotechnology industry. Most of the recombinant therapeutics now on the market came from Genentech research ... We are the first biotechnology company to enter the ranks of fully integrated pharmaceutical companies."

It reports total revenues of $334.8m in 1988, up 45 per cent, mainly from the first full year of income from its genetically engineered heart drug Activase (tissue plasminogen activator or TPA). The payroll approaches 1,800 — far higher than any similar firm devoted to capitalising on the new biotechnologies.

Yet Genentech no longer features in the portfolio of Biotechnology Investments Limited (BIL), the trust set up by N M Rothschild in 1982, specialising in biotechnology and health care investments.

The rigorous system of analysis and surveillance imposed by Lord Rothschild, as founding chairman, has made BIL a yardstick of company performance, and made its patronage keenly sought by the new biotechnology companies.

Genentech is a casualty of this rigour for, as the company itself admits, it fell short of its own sales targets. Sales of Activase, forecast to exceed $400m last year, fell well short of $200m. BIL's advisers say, however, they will continue to keep a close watch on the fallen star.

Biotechnology generally is alive and well, says Mr Jeremy Curnock Cook, the entrepreneur-turned-banker who heads BIL's team of advisers. Big businesses have begun to take the bio-entrepreneurs very seriously, he says — witness the growing enthusiasm for joint ventures such as Repligen Sandoz Research Corporation and Welgen, uniting Wellcome and Genetics Institute.

In France, there is the example of Elf-Aquitaine, the oil group, investing venture capital in biotechnology start-ups as part of its strategic development (through Sanofi) in the bio-industries. Elf has claimed recently to be "one of the world's top 10 bio-industry firms."

BIL's advisers, after building a portfolio dominated by US investments, for the past year have turned their attention increasingly to opportunities in Europe, discovering that European biotechnology is also thriving. Another discovery is how much BIL's advice is valued by big companies trying to evaluate the merits of biotechnology research firms and the opportunities for breaking into new markets.

Behind Mr Curnock Cook's team stands an eminent group of scientific advisers recruited personally by Lord Rothschild, and starting with Dr Sydney Brenner, of Cambridge, one of the world's most famous "genetic engineers."

Now pharmaceutical products of genetic engineering are reaching the market, what happens to the also-rans?

For the big group, BIL is providing "third-party brains," says Mr Curnock Cook. Its involvement as investor can help curb the natural tendency of the big corporate patron to interfere too much in the activities of an entrepreneurial investment. For its part, BIL finds big groups such as Elf often have a good nose for promising European bio-ventures and, increasingly, are bringing them to the trust's attention.

Such groups are seeking BIL's experience in weighing the soundness of new ventures and of their principals, before parting with cash and, perhaps more significantly, giving them access to their own technological resources. Dr John Herrmann of BIL, a former Glaxo executive, says he has been surprised how much more entrepreneurial spirit the middle management is showing in such companies.

The bedrock of BIL's investment portfolio is still US investments, both quoted and unquoted. Now that pharmaceutical products of genetic engineering are reaching the market, the inevitable question is: what happens to the also-rans? One answer is a speedy merger between kindred companies.

Genzyme Corporation's planned purchase of Integrated Genetics, both of Boston, Massachusetts, is an example. The merger provides Genzyme with genetically engineered drugs such as erythropoietin (EPO) to which it can apply its expertise in enhancing efficacy and safety, to give the company more market opportunities during the 1990s.

It provides Integrated Genetics with much-needed cash. And by merging two companies of about 200 people apiece, it gives BIL every incentive to re-assess its involvement in what will become a significantly different investment.

"What we really need round here is a Moses," one US bioventure told Mr Curnock Cook on a recent tour of BIL investments. As he sees it, BIL's ability to help answer the question: where are we going? — to help develop the strategic thinking of the company — is something other sources of venture capital for biotechnology cannot offer.

That means BIL must keep very close to its investments, Mr Curnock Cook is quick to point out. The bio-entrepreneurs are highly creative people, schooled never to accept defeat, and therefore prone to make unscheduled changes in direction or effort to overcome obstacles. BIL finds it has to match this flexibility of mind.

Flexibility of another kind is evident in the activities of the breakaway team of Abingworth, formed when Mr David Leathers, BIL's former investment manager, left last year to found a new trust along similar lines. As well as seeking proposals from others, Abingworth has founded a company from scratch. "That way you get the people and structure you want", explains Mr Stephen Bunting, also ex-BIL.

Mr Bunting talked widely among pharmaceutical companies about the untapped opportunities for biotechnology. He wanted a company that would work closely with established groups from the start. He decided the science to go for was immunology, where the biggest opportunities lie in the three areas of cancer therapy, auto-immune disease and organ transplants.

He approached Dr Alan Munro, head of immunology at Cambridge University, and a consultant to the Abingworth fund, and persuaded him to abandon a 30-year career as a don, freeze his pension, and become research director to the embryonic Immunology Ltd. He also persuaded Dr Bill Duncan, managing director of Coopers Animal Health, the ICI-Wellcome joint venture in veterinary products, to become its non-executive chairman.

Now he is seeking the most crucial person of all, the chief executive who will build Immunology into a new British pharmaceutical group. The specification Mr Bunting and Dr Munro have drafted is daunting but calls for "above everything, strong business skills."

David Fishlock

Biotech Instruments says that its BT 8500 Automatic DNA Synthesiser is simple enough for a non-chemist to use. The company started to develop its own products in 1985. But, says chairman Brian Lowinger: "Most financial institutions don't appreciate the potential of DNA and peptide synthesis"

PROCESS TECHNOLOGY

Unwanted isomers face elimination

LATER THIS year ICI Colours and Fine Chemicals division in Huddersfield will bring on-stream what is claimed to be the world's first production plant synthesising a chemical by a biotransformation. The £5m investment will synthesise optical isomers of hydroxy alkanoic acids, initially as a herbicide intermediate. Another £1m investment by ICI at Billingham will provide the micro-organism needed as biocatalyst.

Behind this project lies a growing belief in some quarters that regulatory pressures will increase rapidly for manufacturers to eliminate the unwanted one of any isomer pair of organic compounds, where it is likely to come into contact with the environment, as in the case of an agro-chemical or pharmaceutical.

Isomer pairs are produced in equal amounts, but only one is biologically active

Chemical processes produce isomer pairs in equal amounts, but normally only one will be biologically active. The other, at best, will be a harmless diluent — "isomeric ballast", as it is sometimes called; but at worst a toxic contaminant. It is believed that an unwanted isomer was responsible for the malformations caused by the drug thalidomide.

Biotransformation is a promising new way of eliminating the unwanted isomer from the start, instead of removing it later, by biosynthesis using enzymes as biocatalysts. The ICI process will be on the scale of 2,000 tonnes a year of the intermediate. It will use a process developed by ICI Biological Products at Billingham, which will continue to supply the micro-organism.

Mr Frank Holt, business manager responsible for biocatalysis at ICI Biological Products, believes that within a decade regulatory authorities will require companies to justify the presence of any "inactive" isomer in biologically active products. His own market research has identified over 700 opportunities for biocatalysis to clean up isomeric mixture currently being made chemically.

According to Dr H J Kooreman, director of new business development at International Bio-Synthetics (IBIS), the joint biotechnology venture between Royal Dutch-Shell and Gist-Brocades of the Netherlands, of about 1,800 chemicals in common use as pharmaceuticals, about 1,000 are "chiral"; that is, they exist as isomer pairs, "as alike, and yet as different, as a left and right hand."

Since 1982, Gist-Brocades and Shell have jointly been investigating the biosynthesis of optically pure isomers at Shell's Sittingbourne research centre in Kent. This laboratory is also equipped with a pilot plant built originally for its development of single-cell protein.

They are 'as alike, and yet as different, as a left and right hand'

One of 10 patents applied for so far concerns the anti-inflammatory Naproxen [2-(6-methoxy-2-naphthyl) propionic acid], found in only one of the isomer pair of compounds. What was needed, says Dr Kooreman, was an enzyme capable of hydrolysing R-S-naproxen-methyl ester in a stereospecific manner to produce the desired single isomer, S-naproxen.

A micro-organism called Bacillus subtilis Thai 1-8 produced a suitable enzyme, but in amounts too small to be useful. The Sittingbourne scientists have genetically modified the microbe before incorporating it in the enzyme. The result is an 800-fold increase in productivity.

Dr Kooreman warns, however, that stereo-selective micro-organisms may not be a universal answer to the problem of purifying compounds which occur as isomer pairs. As the accompanying table suggests, costs of biocatalysis can be high. As he sees it, biocatalysis is more likely to be considered for the manufacture of a new compound than as a replacement for one already in production.

Separation and purification — the downstream biotechnologies — will continue to be a growth market, according to a recent forecast from Frost & Sullivan.* In a survey of the US market, these researchers predict expansion in this sector from $313m last year to $781m in 1993 (constant 1988 US dollars). Two areas — filtration and liquid chromatographic separation systems — are expected almost to triple their sales over the five years.

The accompanying chart shows US demand from six manufacturing sectors for downstream bioprocessing equipment, including laboratory requirements, in 1988. Growth in demand from bio-research has already slowed down, but with products beginning to go into production, demand is being spurred for process-scale equipment.

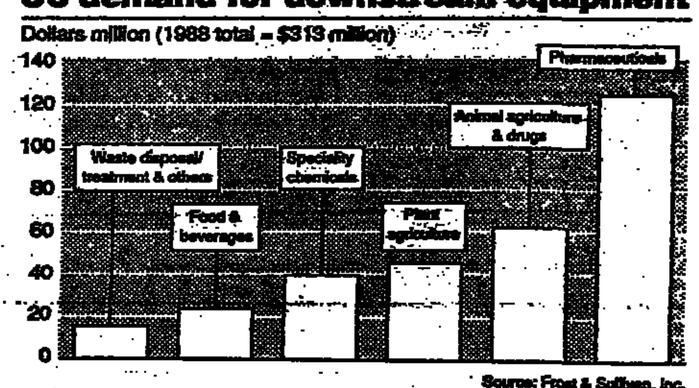
Product development calls for painstaking laboratory procedures such as cell evaluation

CHEMICAL VERSUS BIO SYNTHESIS

	Chemistry	Biotechnology
Concentration	High	Low
Solvent	Organic	Aqueous
Temperature	-70 to 150°C	10 to 70°C
Selectivity	Medium	High
Enantioselectivity	Cumbersome	High
Versatility	High	Limited
Relative costs	Low	Medium

Source: Gist-Brocades

US demand for downstream equipment



Source: Frost & Sullivan, Inc.

Growth sectors identified by the market researchers include membrane filtration, which affords such advantages as high throughput and high capacity, easing technology transfers from laboratory to process plant; and high-pressure chromatography, which they find is adapting well to process automation and is providing high-resolution purification of such products as monoclonal antibodies.

Chromatography is growing at the expense of the slower, less easily automated process of electrophoresis, they say. Nevertheless, they forecast growth in electrophoresis equipment from $39m in 1988 to $63m by 1993.

The laboratory market for centrifuges is rated "almost mature." Tubular and solid-bowl centrifuges are losing ground to what is seen as the clear winner in this form of separation, the disc centrifuge.

Their demand forecasts from the six manufacturing sectors identified ranks pharmaceuticals as the biggest opportunity, growing threefold from $125m last year to $387m by 1993. The second biggest sector in 1988, veterinary drugs and animal agriculture, is expected to more than double demand, from $61m to $147m in 1993.

The Biotechnology Directorate of the Science and Engineering Research Council has made efforts to stimulate the downstream market for British process plant manufacturers.** SERC's recent review of biotechnology summarises the importance of engineering in commercial biotechnology in general, noting specifically the importance of materials, as an area of research which straddles engineering and science.

"Most of the advances in the key separation techniques of chromatography and ultrafiltration have arisen from advances in materials," it states. It identifies "important interfaces between biomedical engineering and biotechnology which centre on materials," citing the use of immobilised proteins to purify blood; and the development of substitute materials for human skin, made by biotechnology processes.

Growth sectors are likely to include membrane filtration and chromatography

A British bioseparation development has recently received the accolade of a place in the industrial chemistry section of the Science Museum. This is the Biostream electrophoretic separator made by C J B Developments.

Harwell's biochemistry group developed this prototype from research that began in Oxford University in the 1930s but lapsed for three decades. The original inventor, John St Ledger Philpot, provided designs on which Harwell investigated the engineering science and scaled up the process to a £100,000 commercial product which has found markets in the UK, the Soviet Union and Japan.

* Separation and purification equipment in the US biotechnology market. Report No A2023. Frost & Sullivan Inc, $2,275.

** SERC Biotechnology Support: research and training 1980-2000. Available from the SERC, Polaris House, North Star Avenue, Swindon SN2 1ET.

David Fishlock

BIOTECHNOLOGY 3

David Fishlock on the links between major companies and research teams

The backers in the boardrooms

NO MAJOR company more clearly identifies its future with biotechnology than Monsanto, the US chemicals group, whose pharmaceuticals subsidiary last month announced a major investment in Oxford, consolidating a biotechnology research partnership that began in 1983.

G D Searle merged with Monsanto in the mid-1980s but is still operating under its name, as a wholly-owned subsidiary. It has picked up Monsanto's interest in the work of Professor Raymond Dwek and his colleagues in Oxford's biochemistry department, on glycobiology, a branch of bioscience specialising in sugar chemistry and the involvement of body sugars in biological processes. In glycobiology, the Oxford scientists lead the world, this company believes.

Prof Dwek is exploring unique defects in sugars on glycoproteins, which he believes may be related to such diseases as rheumatoid arthritis, tuberculosis, cancers and AIDS. He has already developed a blood sugar test which identifies arthritis in children, and he is beginning to test new treatments for some of these diseases.

For Searle — whose own biotechnology research in Britain was ended after it merged, because of the overlap with Monsanto's own central research in St Louis — Oxford University is to be a new British research base, says Dr Sheldon Gilgore, chairman and chief executive officer.

Searle is providing £2.9m towards the cost of the new Glycobiology Institute, directed by Prof Dwek. Of the initial staff of 60 at the institute, 10 scientists are to be seconded from Monsanto's central laboratories. Searle will continue to fund the science itself — £1.1m this year, rising to £1.7m by 1993.

It is Monsanto's biggest single investment in academic biotechnology, Dr Gilgore says. Searle has a similar academic partnership with Washington University, St Louis, where it helps to fund a score of research programmes, although none so big as glycobiology.

But for Searle the opportunities for harnessing glycobiology straddle all four areas of drug research — cardio-vascular, gastro-intestinal, central nervous system and immunology — on which it is focusing a pharmaceutical R and D budget exceeding $300m a year.

ICI is less clearly identified with biotechnology than Monsanto, but the underlying trend is no different, with over half of ICI's R and D budget of £400m devoted to bioscience, mainly for the pharmaceutical and agro-chemical sectors.

ICI's counterpart to Monsanto's Oxford investment is its long-standing support for the research of Prof Bill Brammer at Leicester University. For nearly a decade ICI has been funding a laboratory specialising in cancer and the expression of genes in mammalian cell systems. Currently this laboratory has a staff of 12, including scientists seconded from ICI, which sees its research as a corporate core programme in molecular genetics.

For two major ICI divisions — pharmaceuticals and agro-chemicals — biotechnology is the bedrock of R and D. But for five years ICI has been developing a subsidiary devoted to biotechnology. ICI Biological Products is a federation of small biotechnology businesses, operating as a small company independent of the big divisions. It reports directly to a main board director, Dr Peter Doyle, research director.

This year the company has received the honour of a paragraph in ICI's annual report under "emerging businesses." According to Dr John Russell, general manager of its portfolio of five inter-related but still embryonic bio-businesses: "We have the style of operation of a small company but the backing of a big one."

Dr Russell is careful to avoid the territories of the biology-based divisions. "We are not trying to develop new drugs, agro-chemicals or seeds." But he will do R and D under contract for ICI divisions. For the group as a whole, perhaps the most pervasive opportunity opened so far by his team lies in biotransformations, the use of biotechnology to make the desired one of a pair of optical isomers.

Chemical processes produce isomer pairs in equal amounts, but only one will be biologically active. The other will, at best, be a harmless diluent, reducing process yield, and at worst a toxic contaminant that must be removed. Later this year, ICI Colours and Fine Chemicals division will bring on-stream what Dr Russell claims is the first production plant in the world making a chemical by a biotransformation.

Sandoz, the Swiss pharmaceuticals and chemicals group, has negotiated co-operative agreements with three US biotechnology research companies and a private research institute. One is a 60:40 joint venture between Sandoz Chemical Corporation in the US and Repligen Corporation.

Repligen Sandoz Research Corporation of Lexington, Mass., set up last September, is focusing initially on the development of lignite degrading and modifying (LDM) enzymes for use in papermaking, where it is hoped they will eliminate a toxic waste; and on Baccillus thuringiensis as a species-specific microbe for insect control. Repligen transferred its technologies to the joint venture in exchange for equity, with Sandoz funding the R and D.

The other three partnerships relate to drugs. With Genelabs it is a research agreement in cytokines. Cytokines are biologically active substances — such as interferons and interleukins — which help regulate the immune system. The partnership is seeking new cytokines derived from suppressor T-cells, that might be used to combat AIDS. The agreement is also being funded by Sandoz.

With the Wistar Institute, one of the first laboratories in the field of monoclonal antibodies, the target is new ones which might treat tumours. With Genetics Institute, the target is development and manufacture of lymphokines tailored to cancer chemotherapy, bone marrow transplantation and AIDS.

Sandoz has also entered into an agreement with Schering-Plough for co-development and co-marketing worldwide of the lymphokine GM-CSF (granulocyte-macrophage colony stimulating factor), regardless of whether the version it has licensed from Genetics Institute or the rival from Schering-Plough is eventually chosen for marketing.

A new partnership which has excited comment is that between Hoffmann-La Roche and Cetus, the Californian biotechnology company, until recently rivals in the race to market Interleukin-2, naturally occurring protein with a role in defending the body against cancer. Cetus has genetically engineered a route to this drug and invested more than $10m to make it. Roche has rights to a Japanese version invented by the food group Ajimoto.

It promised to be a major legal battle until last December when the two companies signed a cross-licensing agreement on the technology — although not the product.

The unanswered question is to what extent Cetus, while still laying claim publicly to plans of becoming a major pharmaceutical group in its own right, has actually sold its birthright to Roche.


A technician monitors a bio-reaction vessel for Cetus

A 15-year, $3bn international project

It's all in the genes

AN INTERNATIONAL project to map the entire human genome, identifying the role of each one of perhaps 100,000 genes, has been launched in the US. So far, the functions of only a few thousand human genes have been defined.

The project will probably cost at least $3bn and take 15 years to complete. Some nations, including the UK, have already launched their own contributing projects.

Late last month a press conference called at Cold Harbor Laboratory, the genetics research centre near New York run by the Nobel laureate James Watson, announced the birth of the Human Genome Organisation, with 220 members among 23 nations. Dr Victor McKusick, a geneticist with Johns Hopkins University, is its first president, and it plans to register in Geneva as a non-profit-making body.

Already involved in the human genome programme are several major US research-based companies, such as Abbott Laboratories, Beckman Instruments and IBM, as well as specialist biotechnology companies. The more far-sighted see it as the basis of new drugs and protein products perhaps 20-30 years on, but a near-term opportunity for highly automated analytical tools, novel chemicals and information technology.

In Britain, genome mapping is a new earmarked project approved by the Advisory Board for the Research Councils earlier this year, when the board dispensed an additional £300m in the science budget for the next three years. The board said it gives high priority to this project and to the Medical Research Council's ideas for an information and resource centre and a programme of directed research. The ABRC has earmarked £11m over the next three years, as a contribution to the international project.

Four of the research councils now have biotechnology research programmes. For the Agricultural and Food Research Council (AFRC), research involving transgenic animals accounts for about £4m a year. This is the development of true-breeding lines of large animals such as sheep by micro-injection of foreign genes, to create sources of human proteins of therapeutic or diagnostic value.

For example, transgenic sheep at the AFRC Institute of Animal Physiology and Genetic Research at Edinburgh are now being milked as a source of a human blood clotting protein, Factor IX (alpha-1-antitrypsin) guaranteed free from contamination by HIV (the AIDS virus) or hepatitis B. Edinburgh University, where the AFRC also funds work in the genetics department, is to host an interdisciplinary research centre specialising in gene transfers of this kind.

Last year Pharmaceutical Proteins, a commercial research venture, was set up in Edinburgh, with financial help from the Scottish Development Agency and others, to exploit the AFRC patents on transgenic animals. Its goals include raising the yields of Factor IX — which it believes may have a role in treating emphysema.

The AFRC's main commercial venture in biotechnology, however, is the Agricultural Genetics Company (AGC), born in 1983, as a vehicle for exploiting plant biotechnology developments, along lines pioneered by Celltech in 1980 in respect of the Medical Research Council.

Cambridge-based AGC has built up a staff of 89 and is supporting 93 scientists working at AFRC institutes. The AFRC itself is spending about £2m a year in six of its institutes on projects of direct interest to AGC.

AGC recently reported that in its first full year of operation, its new technology transfer division has generated more than £1m.

Licences for AGC's proprietary gene transfer technology for imparting insect resistance to crops have been granted to two US companies, Pioneer HiBreed International for corn and other crops, and Calgene for cotton. They are worldwide but non-exclusive agreements, allowing the AFRC's patented CpTI gene to be transferred to elite proprietary seed. The target, says AGC, is to replace "a significant portion" of the £1bn world market for chemical insecticides used for corn and cotton alone.

A collaborative agreement between AGC and Nuovo CRAI, the central research and development centre of Italy's Societa Mendionale Finanziaria (SME) group, aims to develop virus-resistant vegetables by genetic engineering. AGC has a gene technology emerging from the AFRC's Institute of Plant Science Research in Cambridge and the Scottish Crop Research Institute. It is claimed to confer a totally novel form of virus resistance.

Genetic materials from a benign strain of the cucumber mosaic virus are incorporated into the plant to provide the defence. Tomatoes are the first target of the Anglo-Italian research collaboration, although AGC cautions that a commercial technology is still four years or more away.

The Science and Engineering Research Council (SERC) set up its Biotechnology Directorate in 1981, as a largely autonomous agency to help "stimulate the application of biology to industrial practice." By 1987-88 its founding director, Dr Geoffrey Potter, and staff of eight were administering a research budget of nearly £5m. His six priority sectors included biochemical engineering, bioconversions and protein engineering.

In each of these sectors the directorate has helped to organise either a co-operative industrial research club involving industrial as well as academic laboratories, or a major co-ordination of research with industrial partners. Over the period 1983-87, industry added £3.8m to an SERC commitment of £13.5m for biotechnology research.

At first, companies were reluctant to help fund the Biotechnology Directorate's programmes. But gradually — helped by the improving economic climate — more were persuaded. A study by Sussex University's science policy research unit of the Protein Engineering Club, founded in 1985, reports that after three years it had created a close-knit research community in a field where it would not have happened spontaneously.

However, the study also recognised that creating such clubs required considerable research management time — over half-a-man-year was estimated. Choosing the right programme manager was also a crucial matter, it found.

The directorate launched two more clubs in 1986: the Animal Cell Biotechnology Club, and the Antibiotics and Recombinant DNA Club.

A review of biotechnology research and the performance of its Biotechnology Directorate was conducted by the SERC last year. As a result, the research council plans to expand its activities in research and training and foresees the directorate continuing for another six years.

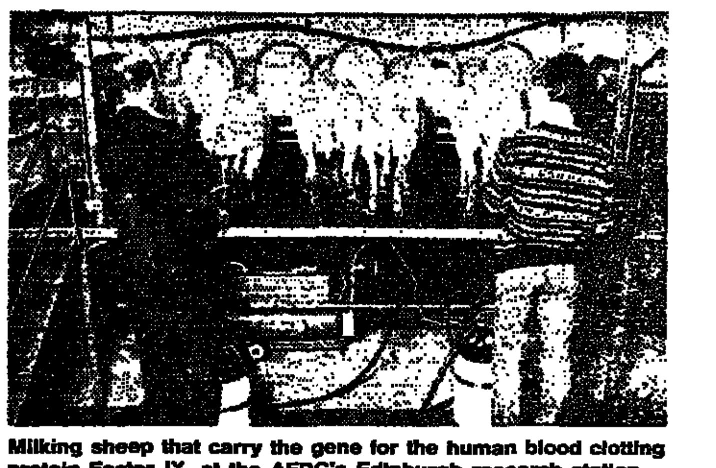
Among the achievements this review has identified are the industrial development of research in "engineering" novel proteins by the Medical Research Council's Laboratory of Molecular Biology in Cambridge, and MRC units at Imperial College, London. It reports "an explosive increase of activity in academia and industry."

For protein engineering, the directorate has organised a club that has brought together "multi-disciplinary groups at different academic sites with overall management and close industrial supervision." The review notes the particular emphasis on the organisation of protein sequence and three-dimensional structural data into a relational database to be used as a design aid in protein engineering.

As for the Animal Cell Biotechnology Club, the review says that with animal cell culture playing an increasingly important industrial role in making monoclonal antibodies and combinant proteins for pharmaceuticals, the club's programme was established "to underpin the design of more efficient industrial processes."

The focus is on a better understanding of the physiology of animal cells and, says the review, 15 months' experience has shown that it has been valuable to bring in groups whose previous experience was in microbial physiology and biochemistry.

David Fishlock


Milking sheep that carry the gene for the human blood clotting protein Factor IX, at the AFRC's Edinburgh research station

RESEARCH COUNCIL SPENDING 1988	£m
Medical (MRC)	37
Agricultural and Food (AFRC)	20
Natural Environment (NERC)	7
Science and Engineering (SERC)	5

DIAGNOSTICS

DNA may tackle heart disease

THE TECHNIQUE of DNA or genetic fingerprinting — now widely hailed as the greatest breakthrough in forensic science this century — was discovered only five years ago by Professor Alec Jeffreys of Leicester University.

It was first used in a major criminal investigation in 1987, to track down the killer of two teenage girls in Leicestershire, and legal history was made later that year when the first rapist was convicted on the basis of his DNA fingerprint.

Forensic scientists worldwide now use the technique for investigating rape and murder cases. If any genetic material has been left behind at the scene of the crime — in semen or blood or even a hair root — it is often possible to obtain a unique DNA fingerprint or profile of the criminal. By matching this against DNA fingerprints taken from suspects, police can unequivocally eliminate the innocent or identify the guilty.

The same technique is used routinely to resolve paternity disputes. Unlike conventional blood tests, which are often inconclusive, DNA fingerprinting will show beyond doubt whether or not a man is the father of a particular child. And in the UK it is helping to prove claimed family relationships in immigration cases.

DNA fingerprinting will show if a man is father of a particular child. UK immigration uses it to check family relationships

DNA is present in every living cell, carrying the genetic code which determines the unique physical characteristics of every individual animal or plant. Genetic fingerprinting identifies particular regions of DNA (known as Jeffreys sequences) that vary markedly between unrelated individuals.

The technique, which has been commercialised in the UK by Cellmark Diagnostics, an ICI subsidiary, uses an 11-stage laboratory procedure to "visualise" the Jeffreys sequences as a pattern of bands on X-ray film, similar to a supermarket bar code. They are located with DNA probes — small pieces of synthetic DNA which attach themselves to the target sequence.

Genetic fingerprinting is only one of the new diagnostic procedures made possible by DNA probes. According to a market research report by Frost & Sullivan, world sales of DNA probes will have grown from almost nothing in 1987 to more than $600m in 1992 (with the market in Western Europe put at $269m). Most will be used for medical diagnosis.

Although the highly variable Jeffreys sequences are genetic material in the sense that they are passed on from one generation to the next, they come into a category sometimes known as "junk DNA." They are not genes coding for particular proteins — indeed their function, if any, is unknown.

Real genes are far less variable. A single change in the DNA sequence of a functional gene will often cause a serious or fatal disease. Medical scientists worldwide have carried out a lot of painstaking research to pinpoint the genetic faults responsible for the major inherited diseases, but most have not yet been precisely identified. In many cases, researchers have got very close to the genetic defect by studying affected families but not yet to the defect itself.

DNA probes to identify single-gene disorders are therefore still mainly a research tool. However some hospitals are beginning to use them to screen groups at risk from particular inherited diseases.

A good example is thalassaemia, a serious blood disorder which particularly affects people of Mediterranean origin. King's College Hospital in London offers a thalassaemia screening service to Cypriot families. Doctors remove a tiny sample of foetal tissue (known as chorionic villus) from women in about the eighth week of pregnancy and apply DNA probes to detect the genetic defect known to cause thalassaemia. If the test is positive, the woman can have an early abortion.

DNA probes are soon likely to be used widely to diagnose other relatively common single-gene disorders, such as cystic fibrosis, muscular dystrophy and Huntingdon's disease, early in pregnancy.

But each of these diseases affects fewer than one in a thousand of the general population. Later in the 1990s, DNA probes will be developed to identify susceptibility to far more common diseases, which have multiple causes including a strong genetic component. The most example important is likely to be coronary heart disease — responsible for about a quarter of all deaths in industrialised countries.

Another Frost & Sullivan report estimates that the potential US market for prognostic tests of this sort could exceed 100m tests per year. Their use will provoke much ethical debate. For example, should employers be allowed to test employees' genetic susceptibility to occupational diseases? Should insurance companies ask clients to be tested for susceptibility to heart disease?

Should employers be allowed to test employees' genetic susceptibility to occupational diseases?

Of course, DNA probes can also identify non-human genetic material. The most important application here is identifying bacteria and viruses. During the 1990s DNA probes are likely to compete with the other recent breakthrough in diagnostic technology — tests based on highly specific (monoclonal) antibodies.

They will be used not only by doctors to diagnose diseases in patients but also by the food and water industries to detect contamination. These DNA probes may be either fairly general, for example to detect a range of organisms that cause gastroenteritis, or very specific, for example to identify the gene that makes a particular strain of bacteria resistant to an antibiotic.

Clive Cookson

Technology Editor

COMMODITIES AND AGRICULTURE

NFU cautious on nitrate plan

By Bridget Bloom, Agriculture Correspondent

MORE INFORMATION will be needed on two key issues before the National Farmers' Union is able to judge whether it can fully accept the British Government's new plans to curb nitrate pollution of water supplies, Mr David Naish, deputy President of the NFU, said yesterday.

Mr Naish was commenting on the Government's proposals, published earlier this week, to set up experimental zones where restrictions on the use of nitrate fertiliser and other agricultural practices would be introduced in an effort to lower nitrate levels in Britain's drinking water supplies.

Mr Naish named the issues as the number and extent of these new nitrate sensitive areas (NSAs), and the criteria by which the Government would judge whether or not farmers should be compensated. Actual amounts of compensation would obviously also be critical, Mr Naish said.

Launching the proposals in a consultative document on Tuesday, Mr John MacGregor, Minister of Agriculture, refused to be drawn on the number or geographical extent of the intended NSA's, or on likely compensation. These were questions which would be settled later in the summer after consulting interested parties, he said.

The NFU believes the Government will decide to create between ten and 20 NSAs to ensure that a wide range of conditions and curative measures could be tested. While NFU officials say each zone need be no more than a few hundred acres for successful scientific tests, they think the Government will decide to make them larger.

The Government has said that it will compensate farmers asked to adopt measures which go beyond good agricultural practice. But that concept needed to be precisely defined Mr Naish said. Up to now, it had tended to mean what farmers found cost-effective, but some measures now being suggested as good practice, such as ensuring that arable land had a cover crop during the winter, could prove costly to farmers.

Broadly, however, the NFU welcomed the Government initiative, and was pleased that the schemes were to be voluntary in the first instance.

Mr Naish acknowledged that incidents of water pollution by farmers had increased by 6 per cent last year, although farmers still only caused 20 per cent of all water pollution incidents.

Commenting on a speech on Wednesday by Mr Nicholas Ridley, Secretary of State for the Environment, which was critical of farmers' pollution record, Mr Naish maintained that farmers were now doing a great deal to combat environmental pollution in general. Mr Ridley's criticisms seemed inopportune, given that the Government wanted farmers' co-operation on its new NSA schemes, he said.

● The Conservative-controlled Association of District Councils fears that government plans to allow farmers to develop non-farming enterprises without planning permission will do irreversible damage to rural areas.

Mr Cyril Benton, chairman of the ADC's planning committee, said yesterday that local authorities understood the financial pressures on farmers as the amount of land needed for food production declines, but they also knew the importance of protecting the priceless beauty of the countryside.

Mr Benton was commenting on proposals from the Department of the Environment, published earlier this week, to extend the system of so-called permitted development rights, which already exempts farmers from planning permission on their farming operations, to their non-farming enterprises.

Since 1948 rural landowners and planners had worked together to achieve a balance between farm development and countryside protection, Mr Benton said. The Government's proposals should not be allowed to put those achievements at risk.

Coffee talks 'set to fail again'

By David Blackwell

THE INTERNATIONAL Coffee Organisation's reconvened meeting early next month on the future of the international agreement is unlikely to be any more successful than the April meeting, according to the latest coffee report from E.D. & F. Man, the London trader.

But it is the duty of the consumer and producer sides to keep their options open as long as possible. This implies that no decision will be reached before September 30 when the current agreement expires.

Meanwhile the present reluctance of both exporters to sell and importers to buy will continue, the former through optimism for a new agreement, the latter for the possibility of none, says the report.

"The market, therefore, will continue to resemble nothing so much as a slow bicycle race in which, provided that nobody actually falls off, the last home wins."

Bleak outlook seen for silver

By Kenneth Gooding, Mining Correspondent

THE FALL in the price of silver below $5 a troy ounce this year has forced the closure of some marginal mines and analysts do not hold out any hope of a substantial recovery in the short term.

Looming over the industry, too, is the possibility that Peru might attempt to solve part of its US dollar reserve shortage by selling some of its stocks of refined silver on the open market.

"The effect on the silver price could be devastating, with repercussions right through to 1990," suggests the mining team at Ord Minnett, the securities house.

United Keno Hill Mines, 35 per cent-owned by Falconbridge, has shut its three silver mines in the Galena Hills area near Elso in the Yukon. Last year Keno produced 1.74m ounces of silver and 6.2m lbs of lead.

Agnico-Eagle Mines, which produced 1.35m ounces of silver in 1988, plans to suspend silver production next month at its three mines in the Cobalt area of Toronto. The company says it probably needs a silver price of about $9 an ounce to break even.

This is "reminiscent of the poor state of the industry in the early 1980s when a number of US mines were put onto care-and-maintenance due to unprofitability," says Ms Rhona O'Connell, precious metals analyst in Shearson Lehman Hutton's London metals research team.

She points out that another notable recent closure was Hecla Mining's Escalente mine in south west Utah but this was because it was running out of ore rather than low prices.

In Shearson's quarterly precious metals review, Ms O'Connell recalls that most new production of silver is not price sensitive as it is a by-product from lead, zinc or gold mines.

High prices for base metals are encouraging companies to maximise production and she forecasts that mine supply of silver will grow by 895 tonnes or 8.6 per cent this year to 11,200 tonnes.

Ms O'Connell says that steady industrial demand for silver has emerged whenever the spot price has dropped below $6 an ounce but "a test of $5.50 cannot be ruled out."

She estimates that the silver price will average $6 an ounce this year, down from $6.53 last year and more than $7 in 1987.

Ord Minnett's analysts, led by Mr Reg Eccles, suggest the price will average $5.75 this year and in 1990. "We still anticipate quotations remaining above the costs of production of all but the most marginal producers."

This forecast includes an assumption that the Peruvian Government will not sell its silver stocks.

Ord Minnett says that, as further expansions and reactivations of lead and zinc mines take place in 1989, and as new gold mines also come on stream, the expansion in production of silver which is insensitive to price will continue.

It adds: "With the supply-demand gap widening over the next two years as the world economy slows, the annual addition to inventories is likely to exceed 3,000 tonnes in 1990."

Yeutter faces tough decision on soya oil

MR CLAYTON Yeutter, the US Agriculture Secretary, said yesterday that the US Department of Agriculture had not yet made a decision on whether to propose offering subsidised soyabean oil to the Soviet Union, reports Reuter from Washington.

He told the House Agriculture Committee an offer of soyabean oil under the Export Enhancement Program would be "considerably different" from a recent offer of subsidised wheat and would raise sensitive trade policy issues.

"We have not yet made a decision within USDA, let alone interagency," Mr Yeutter said. Typically the USDA must propose an EEP offer to other agencies in the Bush administration before it can be completed.

Mr Yeutter said he had felt very strongly that there were ample reasons to offer the Soviet Union subsidised wheat.

"The parameters of other subsidy transactions are considerably different," he said.

He said soya oil subsidy offers were more complex because they competed with non-subsidising foreign competitors.

"Each time we make a subsidised sale (of soyabean oil), we get a lot of criticism," he said. "That's why this is a tough decision."

Nancy Dunne writes in Washinton: USDA officials are facing increased pressure from the the farm lobby for the subsidised soya oil sale.

While the recent US offer of 1.5m tonnes of subsidised wheat to Moscow was called into question because of the low level of wheat stocks, vegetable oil stocks are at record high levels – 3.5bn lbs, including 2.9bn lbs of soyabean oil.

Estimates of the proposed sale range between 200,000 and 500,000 tonnes.

Senator Robert Dole, the Senate Republican leader who successfully lobbied the president for the wheat sale, has also written Mr Bush to press for the sale of vegetable oil. He said a bonus of about $150 would be required for each tonne of oil sold, but "as a value-added product, the benefits to the US agricultural economy of exporting vegetable oil are considerably greater than exports of bulk commodities."

The EEP has been in considerable trouble because of charges that it has moved away from its original purpose of challenging EC subsidies. Senator Dole said subsidies on vegetable oil would be in accordance with the programme's design because "a very aggressive and highly subsidised European export program has cut into our foreign markets and caused our oil surplus to grow."

In testimony on Wednesday, Mr Clayton Yeutter, the US Agriculture Secretary, said an administration decision on the future of the EEP would be made in the near future.

The USDA is required by law to spend $770m to finance EEP sales this year.

Time running out for Ethiopian agriculture

Julian Ozanne on the problems which are forcing a change in the direction of reform

THREE YEARS ago the peasants around the town of Akaki, on the windy plains of central Ethiopia, lived a scattered, individualistic life. The marxist revolution of 1974 had overthrown the oppressive rule of feudal landlords, nationalised land and handed it over to the tillers to use. But not much had really changed in their medieval existence.

Now, as part of a drive towards modernisation, most of them have been gathered up into arbitrarily chosen communal villages. On the orders of cadres from the Workers Party of Ethiopia thousands of peasants tore down their mud and stick homes, carried the pieces a few miles and rebuilt them at a spot designated by the party.

Out of an estimated peasant population of 33m about 15m already been "villagised" in the biggest and swiftest mass relocation in the history of the African continent.

At Kilinto, a model village 10 km from Akaki the villagised peasants unanimously sing the praises of this policy.

In a meticulously clean tin-roofed mud hut, decorated with colourful pie charts and bar graphs showing the latest surge in agricultural productivity, Comrade Asrat Kefle, chairman of the Kilinto Peasant Association, explains why the peasants easily accepted communal living. In Kilinto villagisation has provided better homes, a shop, protection and the promise of electricity, a clinic and school.

President Mengistu: Growth has not been "encouraging"

"When somebody got sick before there was no-one to help in a scattered place. So we came together in one place where we can help each other," he said.

This is the positive side to a process which has come under widespread attack from Ethiopians and western aid workers, who say that in most parts of the country peasants have been physically forced to abandon their homes and plots of land to move into villages which can be more easily controlled by the party and which show no signs of acquiring the social services promised.

The jury is still out on the effects of the Government's resettlement policies and the drive towards collectivisation of the agriculture sector. But it is clear that a major transformation is taking place.

Agriculture is, and always has been, the engine of Ethiopia's economic growth. It accounts for 40 per cent of GDP, 80 per cent of employment and 85 per cent of exports. And its performance inevitably has a ripple effect on other sectors.

The severe droughts of 1984-85 and 1987-88 made Ethiopia dependent on emergency international food relief. In 1984-85 essentially rainfed production dropped nearly 23 per cent to 4.9m tonnes. It recovered to its 1983 level of 6.4m tonnes in 1986-87 before suffering a 21 per cent drop in 1987-88. International donors, including the Soviet Union, provided 1.2m tonnes of food aid in a dramatic emergency operation in 1987-88.

The UN Food and Agriculture Organisation says production will reach an estimated 7.4m tonnes this year but this will still fall short of the needs of a rapidly expanding population.

Ethiopia's population is currently 47m and is believed to be growing at about 3 per cent a year. With more than 1m extra mouths to feed each year there is a chronic and expanding food deficit. On present trends, by the year 2000 Ethiopia will have a population of 65m to 67m people. To feed that population agricultural production would need to double to about 14m tonnes over the next 11 years.

"The situation is extremely dramatic. Unless something radical is done quickly it will be impossible to escape the recurrence of mass starvation," said Dr Ingo Loerbroks, an FAO representative.

While bad weather has been the most obvious culprit mismanagement over the past decade has also played its part in Ethiopia's agricultural problems.

Inadequate price incentives, collectivisation, low use of fertiliser and improved seeds, poor use of resources, bad marketing carried out by ossified state corporations and insecurity of land tenure have been the biggest problems.

Ethiopia's peasants have no right of ownership to land, only right of use. This insecurity has lead to severe soil erosion and a brutal consumption of resources without any regenerative activities. Also as the population grows land holdings have become increasingly fragmented. Until now wage labour has also been banned leading to increased pressure in the rural areas.

Slowly the crisis in Ethiopian agriculture and the need for radical rethinking of policy is being driven home to the communist party hierarchy.

After concerted pressure from Soviet and Western economists, and a long dialogue with the European Community, early last year the Government took the first tentative steps down the path of reform.

Producer prices were raised by an average of 7.7 per cent and physical and invisible barriers to the movement of grain between regions were removed to allow the transfer of produce from surplus regions to areas of need. Private grain traders, who disappeared in the 1970s, were given licences and farmers allowed to sell their surplus on the open market rather than exclusively to the Agricultural Marketing Corporation. Work also began on encouraging better use of inputs, reforestation and developing agricultural research and extension.

Encouraged by these reforms the World Bank and the EC released $160m worth of funds to the agricultural sector, mainly for fertiliser and other priority inputs. Liberal reformers inside the Government used this to argue for a bold statement of policy change in the President's report to the ninth plenum of the central committee of the Workers Party of Ethiopia last November.

"If we ask what sort of growth there has been in agricultural production after all this support and struggle, we will find that the answer is not encouraging," President Mengistu said.

Too much attention to state farms, which account for only 3 per cent of production, and insecurity of land tenure were blamed for bringing about poor production.

"Unless we accelerate changes in relations of production there is no way in which the productivity of our farmers can be promoted in a capitalist style," he said.

A list of reforms is presently being considered inside the Ministry of Agriculture to help reach food self-sufficiency and boost exports. They include: concessionary leasing of land for periods of up to 25 years; encouraging private commercial farming; hiring of labour; devoting less resources to state farms; establishing rural small scale and cottage private industries; and more liberal pricing and marketing policies.

The most important and the most politically sensitive of these issues is fundamental reform of land tenure. In the face of mounting balance of payments deficits and a critical shortage of foreign exchange, Ethiopia must seek to boost its exports. Increased production of the country's number one foreign exchange earner, coffee, and other cash crops like tea and cotton will depend on more secure land holding, better price incentives and less government taxation.

This will ultimately mean less government control – something considered risky by many party chiefs. At the moment the debate over how much reform is intensifying as the Government prepares for its next five year plan.

"It is too early to judge how far this reform process will go. But the Government wants to introduce new policies without changing the very nature of the socialist regime. In this sense the agricultural reforms are more similar to China in the early 1980s than Soviet-style perestroika," said one western economist.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices on the LME firmed yesterday amid continued concern about tightness of supply for July delivery dates. Traders said the tightness still appeared to reflect traders holding on to July delivery metal against positions in the options market. Copper prices eased. "The market seems to have run into something of an impasse as many operators are now wary of selling short in anticipation of a bounce after the recent sharp decline," a leading trade house dealer said. Gold moved ahead on the London bullion market following the upward momentum on Comex, which reflected concern over the increased tension in Panama. But resistance remained around $380 an ounce. May robusta coffee prices rose again amid continued concern about a shortage of tenderable spot supplies.

COCOA £/tonne

	Close	Previous	High/Low
May	697	690	701 691
Jul	712	711	718 707
Sep	729	727	734 725
Dec	776	772	778 769
Mar	771	767	773 763

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 26,900 tonne
Cash	2360-90	2300-10	2330/2325	2325-30		
3 months	2177-80	2145-50	2180/2150	2152-5	2175-80	35,645 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,125 tonne

US MARKETS

IN THE METALS, gold and silver advanced as short covering in front of Fridays U.S. producer price figures elected buy stops, reports Drexel Burnham Lambert.

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.16	19.82	20.25	19.70
Jul	18.98	18.63	19.11	18.71
Aug	18.38	18.08	18.49	18.20
Sep	18.01	17.77	18.12	17.86

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	751/4	758/2	760/0	750/0
Jul	738/4	748/4	744/0	738/0

Interest rate worries upset equities

WORRY over the outlook for the US dollar and for global interest rates continued to unsettle equities yesterday in a London market also beset by hints of renewed strains among some securities houses. Corporate results, featured by first quarter figures from British Petroleum and Shell, found a cautious reception.

The market was nervous rather than depressed and share prices rallied from their lowest levels before the end of the session, despite an unconvincing opening on Wall Street. Trading was led from the futures market where the FT-SE contract saw its premium dwindle to 20 points from the 40 point premium seen at the beginning of the week.

Account Dealing Dates			
*First Dealings:	Apr 17	May 2	May 22
Option Declarations:	Apr 27	May 18	Jun 1
Last Dealings:	May 5	May 19	Jun 2
Account Day:	May 15	May 30	Jun 12

*New time dealings may take place from 9.00am two business days earlier.

The FT-SE Index closed a further 8.4 down at 2,110.8 after touching 2,107.1 earlier. Some analysts maintain that the setback is temporary and that, to quote Robin Aspinall, chartist at Schroder Securities: "UK equities are on their way to FTSE 2,350...by September". He believes, however, that the index could dip to around 2,000 in the near term.

The continued firmness of the US dollar fuelled fears that interest rates might be forced higher in Germany and Japan, thus putting upward pressures on UK rates. Yesterday morning's meetings at securities houses took note of the prediction of UK base rates of 14 per cent reaffirmed this week by two leading UK firms, Warburg Securities and Kleinwort Benson.

The session yesterday proved uncomfortably despite Wall Street's success overnight in stemming its eight day falling sequence. Share prices dipped smartly in early trading as traders scented a selling programme from a US house.

Good figures from BP and Shell helped stem the retreat, but there was a cautious response to the rest of the day's corporate reporting list, which included such leading names as Grand Metropolitan and BOC.

Also discouraging for equity traders were signs that at least two securities houses were selling the Footsie future contract, which unsettled the underlying blue chip stocks.

Market turnover fell away, with the Seaq reporting system returning a total of 430.5m shares, against 468.6m in the previous session. Despite some improvement last week, equity volumes have remained low over the past two months, and there were hints yesterday that market firms were taking another, somewhat despairing, look at their financing costs.

Difficulties were believed to be experienced in pricing a large trading programme offered by a major investment institution; the programme was eventually withdrawn from the market. Adding to the general discomfort was the decision by NM Schroder, the unit trust group, to shed 15 per cent of its staff.

GrandMet provision hurts

In spite of a 30 per cent jump in half-year profits to £301m, the food, hotels and drinks group Grand Metropolitan saw its shares plummet in busy trading. They closed down 24 at 557p on turnover of 12m shares. The blame for the sudden turn in sentiment was put firmly at the door of the $750m provision that GrandMet has decided to take in relation to its acquisition of US foods group Pillsbury.

Although the company explained that the move was partly to take account of increased liability for Pillsbury employees' medical insurance in the US, the market assumed the rest was for the reorganisation of Pillsbury. "GrandMet is either being over-cautious, or it knows something we don't about Pillsbury," said a trader, who remarked that people appeared to be taking the latter view. "If the acquisition and integration of Pillsbury is going so well, as they tell us, why the need for this massive provision?" asked another.

As for the interim figures, the reaction was generally positive and most brokers should be sticking by their forecasts for the full year, which range from £680m to £725m. When the market has time to digest the full implications of the provisions then the share price could recover, suggested one analyst. Another, Mr Andrew Buchanan of Hoare Govett, concluded: "Sentiment has undoubtedly been damaged by the provisions; GrandMet is not a company that needs to indulge in financial engineering because operationally the story is so good."

Canadian stake

The market's conviction that overseas interests had built up a stake in supermarket group Asda proved well-founded yesterday when the company revealed that a 212 notice had flushed out the presence of a Canadian group on its share register. The news that First City Financial Corporation of Vancouver, the vehicle of the well-known arbitrageurs, the Belzberg brothers, now holds 29.6m shares, or 2.25 per cent of Asda pushed the share price 5¼ higher to 172p in active trade. 12m shares changed hands during the day.

The consensus among followers of the stock was that the stake would not be used as the platform for a full bid. It appears that the Belzberg brothers were heavy buyers of Asda at 155p, and that they sold part of their accumulated holding at 171p. In spite of the rise in the share price, most observers believe the Canadians, who have played prominent roles in previous bid stories (Exxon and Yale & Valor) as either arbitrageurs or principals, are in Asda "for the ride". Sources close to the company said that the Belzberg stake was the only response Asda received from the 212 notices it had served.

This could disappoint those who were hoping that a bid for Asda was on the cards, said an analyst, particularly if the recent massive turnover in the stock is proved to have been the Canadians building up their stake, and not a West German supermarket group as widely speculated.

Oils resilient

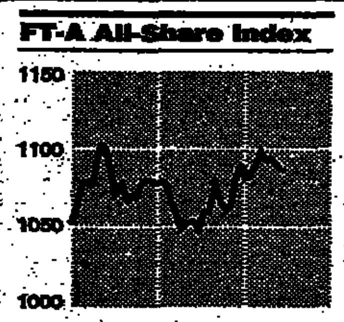
First-quarter results from the two oil majors, BP and Shell, were given a warm reception by the market. Both share prices defied the overall easier trend, with BP settling unchanged on balance at 278½p and Shell a fraction harder at 398½p. Volume in BP was 4.4m shares, while Shell 3.5m shares were traded. Sentiment in both stocks was helped by the good performance of crude oil prices which moved up some 50 cents a barrel.

BP's results, which included a maiden quarterly dividend of 3.65p — above the general run of expectations — were said by analysts to have been ahead of average forecasts. The dividend, particularly, was applauded by sector specialists who said the payment sets a floor of 14.6p a share for the year. "And that doesn't rule out further increases over the year," said Mr Nick Clayton, an oil analyst at Smith New Court.

Shell's figures, while good according to analysts, were inflated by property and stockholding gains. "Strip these out and you are broadly in line with market expectations," Mr Clayton said.

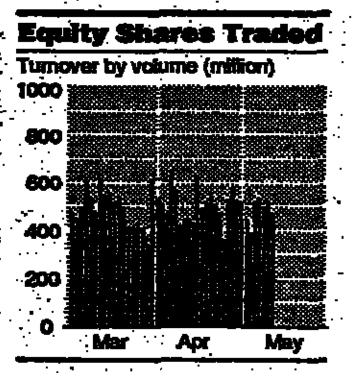
Disappointing interim results from BOC, the industrial gases and healthcare group, which contrasted with the recently bullish tone of comments from City analysts, did not go down well in the market. The outcome, £149m pre-tax, was right at the bottom range of forecasts, and Ms Jinty Price, at BZW, expressed surprise at the increase in interest charges for the period. The shares dipped to 480p at worst but steadied later to close at 485p, a net 4 off on turnover of 3m shares. BZW lowered its forecast for the full year by 25m to 335m pre-tax, and maintained its favourable view of the stock despite its disappointment with the interim report.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



A market tussle began in shares of Wellcome with two leading London houses taking contrary views on reports of progress at Hoffmann-La Roche with its DDC, potential anti-Aids drug, aimed to rival Wellcome's Retrovir.

James Capel (Europe) told clients yesterday that DDC is "progressing through definitive Phase three trials" and could be on the market in 18 months time. This knocked shares in Wellcome, which ended 11 off at 485p. However, Mr Steve Plag, pharmaceuticals analyst at BZW rejected suggestions that DDC was in Phase three trials.

A flurry of profit-taking emerged in a banks sector that has easily outperformed the rest of the market in recent sessions. But Barclays were immune to the downside pressure with dealers reporting keen buying interest for the stock, especially from the Continent; at the close Barclays were 3 ahead at 467p on turnover of 1.4m. Lloyds, among the strongest of the banks after the recent spate of buy notes, suffered with a 10 decline to 339 while Midland fell 8 to 337p and NatWest 6 to 608p.

Allied Insurance, the USM-quoted insurance broking firm, spiralled upwards to close 39 higher at 138p on news that Mr Rupert Galliers-Pratt and Mr Nigel Cayzer have taken an 8 per cent stake in the group with a view to rapid expansion in financial services. Mr Cayzer will take over as Executive chairman of the company at the annual meeting on June 21.

McCarthy & Stone continued to struggle in the wake of the wholesale downgradings that followed the interim figures and profits warning; the shares dropped 13 more to 233p as traders warned that a fall to perhaps 200p could be on the cards.

The previous session's frantic late buying spree in Unitech, triggered by speculation of a possible bid emanating from Switzerland, fizzled out and Unitech shares slipped back 4 to 347p.

Cambridge Electronics, was the latest company to issue a cautious statement on prospects and the company's shares fell sharply to close 22 to 221p.

Speculation that Sir Ron Brierley might add to his near 9 per cent holding in Vickers lifted shares in the defence group to 189p at one stage. The New Zealand entrepreneur has been re-arranging his UK portfolio, and some believe the money from the recent liquidation of several of his interests could be used to finance the acquisition of more Vickers shares. By the close Vickers had come off the top, and the price ended a net 2 better at 190p.

A better than expected profits estimate from Gateway, the supermarket group currently fighting a hostile 195p-a-share bid from Isosceles, had little impact on the shares, which closed unchanged at 195p on good turnover of 4.7m. Analysts, however, pointed out that the figure of £213.7m put forward by the company for year-end April 1989, included a number of surprises. Dealers are expecting a higher offer for Gateway, possibly around 205p, but not necessarily from Isosceles.

A recommendation by Hoare Govett drew investors to BTR Nylex and the shares bucked the wider trend to close 8 up at 227p. Comfortably the best Australian investment over the past decade, said researcher Mr David Ireland, who sees further benefits from the superlative ACI acquisition, the first fruits of the Feltrax purchase and good returns from the substantial A$400m capex programme.

British Aerospace gave back some of Wednesday's late rise which followed the chairman's comments at the annual meeting, closing 8 easier at 623p, while BAA remained under the shadow of a possible investigation into the group's pricing plans. The shares lost 5½ more to 342p with a leading trader saying ruefully: "Investors are worried and are unlikely to regain confidence until this matter is resolved either way."

On a brighter note, Braithwaite were encouraged by news that disposal of the Godiva fire-fighting equipment subsidiary could realise £17m and rose 9 to 285p. Christies International bounded 61 to 969p in the wake of the highly successful auction by Sothebys in the US of impressionist and modern paintings and sculptures.

The takeover battle for Chamberlain Phipps reached an intriguing stage but the action occurred outside the market. Evode claimed 41.1 per cent of the equity through eleventh-hour acceptances of its shares-exchange offer and said it was still counting, while rival Bowater maintained shareholders representing 28.4 per cent had accepted its all-cash terms.

News that major shareholder Capara Industries had increased its stake to 15.7 per cent combined with favourable advice from a securities house put Armstrong Equipment up 4 further to 167p. Mr David Jacob of County NatWest WoodMac thinks the sale of Automotive Suspensions increases the likelihood of the group's independence, but the deal is sufficiently lucrative to warrant the current rating. Lucas Industries responded belatedly to the sale, with which Tuesday's 2.5m share placing was effected and rose 6 to 631p.

Bosse Massimi Pollitt moved to within touching distance of the increased cash offer of 345p cash a share from French group BDDP, but the rise of 13 to 344p also reflected hopes of US agency Omnicom emerging as a white knight. However, one analyst gave the new bid slightly more than an even money chance of succeeding.

Good Greenlees dropped 7 to 321p after a cash call for nearly £12m, partly to finance a US acquisition, while Associated Paper dipped 16 to 219p after the interim figures. Saatchi & Saatchi staged a recovery, reportedly on US demand which encouraged UK investors to think moves could be afoot in America, and ended 10½ up at 294p. "The shares are near the top of the current trading range prior to the first-half results, which are expected towards the end of the month," said one trader.

Ketson returned from suspension after announcing losses and refinancing proposals involving the issue and placing of 55.7m shares, raising 25m net. The news lowered the shares 15½p, eliciting a response from the consortium which recently approached Ketson. The consortium said it expects to propose in the near future a more realistic approach to the company's problems than that proposed by the board.

Laing Properties rose 15 at 530p on talk that Chelsfield, the private property group run by Mr Elliot Bernerd, was adding to its 8.3 per cent holding.

The slightly better sentiment towards Bond Corporation in Australia and reports that announcement of the Lonrho second interim dividend, scheduled for May 19, had been brought saw a revival in the latter's shares. In larger turnover of 2.8m, they rallied 6 to 278p. The recent advance in LIT Holdings accelerated and the price closed 8 up at the highest point this year of 147p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

NEW HIGHS AND LOWS FOR 1989

[illegible]

FINANCIAL TIMES STOCK INDICES

	May 11	May 10	May 9	May 8	Apr 5	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.64	86.56	86.52	86.85	86.65	86.87	89.29 (6/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.32	97.36	97.54	97.27	97.58	98.16	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1758.7	1763.4	1767.8	1762.7	1770.9	1417.6	1770.9 (5/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	174.5	173.3	174.4	174.7	174.3	195.1	195.1 (26/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.47	4.44	4.42	4.43	4.41	4.61				
Earning Yld %(full)	10.92	10.81	10.77	10.79	10.74	11.91				
P/E Ratio(Net)(*)	11.04	11.17	11.21	11.20	11.24	10.29				
SEAQ Bargains(5pm)	23,283	24,128	26,024	27,092	34,315	23,092				
Equity Turnover(£m)†	-	1279.54	1274.38	1110.60	1175.81	1448.76				
Equity Bargains†	-	28,791	30,883	32,422	37,023	26,446				
Shares Traded (ml)†	-	465.8	509.0	498.5	523.9	334.9				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1764.2	1758.7	1760.1	1761.5	1757.2	1758.5	1761.9	1757.2

DAY'S HIGH 1764.2 DAY'S LOW 1754.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.95 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 10	May 9
Gilt Edged Bargains	80.8	89.1
Equity Bargains	188.6	198.8
Equity Value	2586.3	2525.9
5-Day average		
Gilt Edged Bargains	86.6	88.9
Equity Bargains	207.1	207.1
Equity Value	2522.2	2397.8

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPOINTMENTS

Reorganisation at London Transport

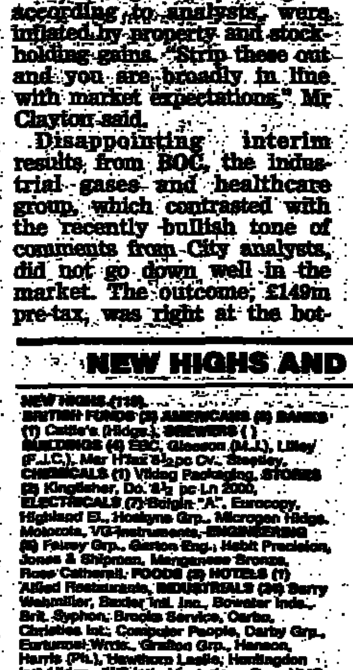
LONDON REGIONAL TRANSPORT, the holding company for London's bus and Underground services, yesterday completed the reorganisation of its top management following a public inquiry report into the King's Cross fire disaster, *writes Kevin Brown, Transport Correspondent.*

LRT said the position of chairman and chief executive of London Buses, the bus operating subsidiary, was being split into two parts to ease the workload on Mr John Telford Beasley. Mr Beasley was appointed acting chief executive of LRT, in addition to his role as chairman and chief executive of London Buses, in the wake of Mr Desmond Fennell's report on the fire, which killed 31 people in November 1987.

The report, which was heavily critical of LRT, was followed by the resignations of Sir Keith Bright, formerly chairman and chief executive of LRT, and Mr Tony Ridley, chairman and chief executive of London Underground.

The new line up of LRT top management is: Mr Wilfred Newton, chairman and chief executive of LRT and chairman of London Underground; Mr John Telford Beasley, deputy chief executive of LRT and chairman of London Buses; Mr Denis Tunnicliffe, managing director of London Underground; and Mr Clive Hodson, managing director of London Buses.

Mr Newton was formerly chairman of the Hong Kong Mass Transit railway; Mr Tunnicliffe was formerly a senior manager of British Airways; Mr Hodson has been finance director of London Buses since 1980.



GEORGE WIMPEY has appointed Mr D.G. Brant (above) as deputy managing director of Wimpey Construction UK, based in Hammersmith. He was previously divisional director for the Scottish and North Eastern regions of Wimpey Construction.

■ Mr Douglas Connaille has joined FILOFAX as marketing director for the UK and European operations. He was regional marketing controller for France and Scandinavia at Pepsico.

■ Mr M P Parker, managing director of ICI (South Africa), has been appointed a director of ICI COLOURS AND FINE CHEMICALS from July 1.

■ Mr Kenneth Dibben has been elected to the board of MARSHAM COURT MANAGEMENT CO and appointed chairman in place of Sir John Cuckney who has retired from the board.

■ BORTHWICKS has appointed Mr John Thresh as managing director of the meat products division. He was previously with G E Schouler & Co, recently acquired by Sims Catering Butchers, where his last appointment was as managing director. Mr Stephen Brennan, previously financial controller of Response Group, has become finance controller of the meat products division.

■ Mr Alan Miller, finance director, has been appointed to the board of the FINANCIAL TIMES GROUP. Mr David Blackwell has been appointed company secretary. Mr David Hall will continue as company secretary of Financial Times Ltd in addition to his role as director of accounting services.

■ JS PATHOLOGY has made the following appointments: Mrs Anne Speaight joins the main board as marketing director and Mr Michael Thacker will be joining the board of JS Pathology Services as sales director.

■ The Manchester-based CO-OPERATIVE BANK has appointed its first group finance director. He is Mr John Marper, who joins the board on June 1 from ANZ Merchant Bank where he is finance director.

■ Mr Andrew Cants has been appointed managing director of PHOENIX FLOORS. He was managing director of St James Tile Co.

■ Mr John Holliwell will join HENRY ANSBACHER & CO as a director in the banking department on May 18. He joins from Barclays Bank where he was a senior branch manager.

■ Mr Martyn Deaner has been appointed chairman of MIDLAND & SCOTTISH RESOURCES and is joined on the board by two new non-executive directors, Mr John Gunn and Mr Campbell Allen. Six non-executive directors including the former chairman have resigned; they are: Mr Atle Jebsen, Mr Ross Belch, Mr Erling Gabrielsen, Mr David Gault, Mr Kyran O'Dwyer and Ms Inge Steensland.

■ Mr David Mann has been appointed engineering director of the ANALYTICAL DEVELOPMENT CO. He was previously chief engineer of of the aero and defence division of Hawker Siddeley Dynamics Engineering.

FT LAW REPORTS

Third party can claim insurance

IRISH SHIPPING LTD v COMMERCIAL UNION ASSURANCE COMPANY PLC AND ANOTHER

Court of Appeal (Lord Justice Purchas, Lord Justice Staughton and Sir John Megaw): April 27 1989

CO-INSURERS who contract on the same terms as the leading underwriter apart from differing percentages of risk, and who agree to be liable for their share on all decisions taken against him, have the "same interest" as he has in defending proceedings to transfer the insured's rights to a third party, and can therefore be sued by representative action although the claim is against them severally for their respective proportions of risk.

The Court of Appeal so held when dismissing an appeal by the defendant representative insurers, Commercial Union Assurance Company plc and Alliance Assurance Co Ltd, from Mr Justice Gatehouse's refusal to stay proceedings by the plaintiff shipowners, Irish Shipping Ltd, and his refusal to strike out the representative characteristic of the action.

LORD JUSTICE STAUGHTON said that the shipowners let Irish Rowan on time charter to the charterers.

Cargo claims were to be the charterers' liability. They took out insurance in the Belgian insurance market at Antwerp. There were 76 or 77 insurers, including Commercial Union and Alliance. About 33 per cent of the risk was insured by English companies.

Claims were made by cargo-owners, and were paid by the shipowners under the terms of the bill of lading. They sought indemnity from the charterers

The charterers went into liquidation. Two arbitration awards were made against them, but were not honoured.

In the present action, the shipowners claimed to recover from the charterers' insurers, under the Third Parties (Rights against Insurers) Act 1930.

Before commencing the action the shipowners had started proceedings in Antwerp against all 77 insurers.

The English writ, issued on December 29 1986, was against Commercial Union and Alliance "sued on their own behalf and on behalf of all other liability insurers subscribing." It claimed "the respective proportions due from them as subscribing underwriters".

The defendants applied for a stay of action pending determination of the Antwerp proceedings, or to strike out the words of representation from the writ.

Mr Justice Gatehouse dismissed both applications. His preliminary view was that the insurance contracts were governed by English law, which brought the 1930 Act into operation. He considered the dispute would be resolved more quickly and at less expense in England than in Belgium, and refused a stay on the shipowners' undertaking to take all necessary steps to discontinue the Antwerp proceedings.

As to the representative character of the action, the judge attached importance to a leading underwriter clause in the contract or contracts, and thought the action should continue as constituted.

The insurers appealed.

The leading underwriter clause provided that "all settlements of claims or contestations whatsoever . . . by the leading underwriter, will be binding on all underwriters." The undersigned insurance companies declared themselves "liable for their respective share of all decisions taken against the leading company."

Section 1(1) of the 1930 Act effected a compulsory transfer to the injured third party of the insured's rights against his insurer.

It was often said that UK statutes did not normally have extra-territorial effect. But where the court was faced with a civil dispute involving foreign elements, one had to enquire (i) what connecting factor applied to the dispute under Conflict of Laws rules, and (ii) which country's system of law was relevant by reason of that connecting factor.

As the Act laid down no rule as to what was the connecting factor, the answer must be found in the common law Conflict of Laws rules.

It was not necessary for the court to reach a final conclusion on the point at the present stage. It was fairly arguable that the transfer of the obligation under section 1 was governed either by the *lex situs* of the insurers' obligations, or the proper law of the contract, or the law governing bankruptcy or liquidation. It was not necessary to say more for the purpose of the appeal.

As to the representative nature of the action, Order 15 rule 12(1) of the Rules of the Supreme Court provided that "where numerous persons have the same interest in any proceedings the proceedings might be begun and continued by or against one or more as representing all of them."

The question was whether it was necessary for the shipowners to go to the enormous labour and expense of joining all the insurers in one action, or whether they might take advantage of the simplified procedure under Order 15 rule 12.

It was not a case where membership of the class represented was unknown, nor where judgment might be given against a member without his having an opportunity to know of the action.

Mr Pollock for the insurers put forward two grounds on which he submitted that the English action was not within Order 15 rule 12. Both turned on the meaning of "have the same interest in any proceedings".

First, it was submitted that a case could never be within the rule where damages or debt were claimed against all defendants severally. The claim was against each insurer for its proportion of the loss, and none was liable for another's proportion.

Therefore, it was said, the insurers did not have "the same interest" in the action.

The strongest authority for the insurers was *Markt v Knight Steamship [1910] 2 KB 1021* where it was held that a representative action could not be brought on behalf of shippers of goods lost in a casualty. Lord Justice Fletcher Moulton said that on a claim for damages a representative suit was "absolutely inapplicable". He said the relief sought by the plaintiff was "a personal relief applicable to him alone".

In *Moon v Atherton [1972] 2 QB 435* Lord Denning said "it was perfectly proper" for tenants of a block of flats to sue an architect for damages by representative action.

That was quite contrary to what was said in *Markt*. Thus was the law reformed.

In *EMI Records [1981] 1 WLR 923* Mr Justice Dillon held that damages could be recovered in a representative action.

In *Pan Atlantic v Pine, December 14 1988, CA* Lord Justice Lloyd said the rule required fulfilment of three conditions: "First, the parties must have the same interest in the proceedings; secondly, they must have a common grievance; thirdly, the relief sought must be beneficial to all."

In that state of the authorities, claims for debt or damages were not automatically excluded from a representative action merely because they were made by numerous plaintiffs severally, or resisted by numerous defendants severally.

The rule was more flexible than that.

Mr Pollock's first argument was rejected.

His second argument was that if the issues were different in the case of representatives and represented, there should not be representative proceedings.

The likely issues were as to what was the connecting factor between the Act and the insurance contracts, the *situs* of the insurers' obligations, the proper law, and whether the insurers had a defence.

There would be no inconsistency between representatives and represented on any of those issues.

There were 12 contracts, by underwriting agents and companies which signed on their own, all on identical terms save for the individual proportions of risk. The leading underwriter clause could be taken to provide that, at least for some purposes, they were to be considered as one contract.

For all practical purposes this was one claim on one contract which the insurers all had the same interest in resisting, subject only to one point.

Some might wish to resist it on a ground that was not available to others — that their obligation was not situated in the UK, and was not taken to be situated in the same place as that of the leading underwriter.

That did not show that all the insurers did not have "the same interest" in the English action, or that it was not within Order 15 rule 12. All defended because they said the benefit of their obligation had not been transferred to the shipowners. Foreign insurers merely had or might have an additional ground for arguing that defence.

It was in general desirable that many insurance companies or underwriters on one risk should be capable of suing or being sued by representative action.

The appeal in respect of the representative nature of the action was dismissed.

With regard to the question of appropriate forum, there was no reason to depart from Mr Justice Gatehouse's conclusion. The appeal against his refusal to stay the action was also dismissed.

Lord Justice Purchas and Sir John Megaw gave concurring judgments.

For the insurers: Gordon Pollock QC and David Mildon (Clifford Chance).

For the shipowners: Jonathan Gilman (Ingledew Brown Bennison & Garrett).

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	50.15	50.67	53.90	+0.11	5.08
Gilts & Fixed Int	6	112.0	112.0	118.9	+0.1	8.41
High Inc Equity	6	131.1	134.1xd	142.6	-0.6	4.45
Worldwide Bond	6	186.5	186.5xd	197.7	-0.1	4.91
Capital Growth						
American Growth	6	170.3	172.4	183.3	+0.7	1.35
Asian Pacific	6	98.79	100.8	107.2	+0.2	0.65
Assets & Earnings	6	158.4	158.4xd	169.5	-0.5	1.53
Capital Reserve Acc	0	84.47	84.47	84.65	-0.07	4.73
Comdty & Energy	6	96.55	96.55	103.3	+0.1	1.02
1992 Enterprise	6	56.41	57.51	61.18	-0.34	2.44
European Capital	6	81.78	81.78	87.47	+0.02	0.86
General	6	174.8	174.8	187.0	-0.5	2.41
Japan	6	110.1	112.0	119.1	...	0.00
Mastertrust	6	83.51	83.51	89.32	-	1.60
UK Growth Acc	5	201.0	201.0	215.0	-0.1	1.05
UK Growth Dist	6	134.0	134.0xd	143.4	-0.1	1.57
US Emerging Cos	6	50.46	52.02	55.34	-0.27	0.00
Income & Growth	6	287.9	287.9xd	307.9	-0.7	3.33
Ethical	6	48.47	49.64	52.80	-0.25	2.37
Abtrust Management Ltd (1000)H						
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	28.37	28.37xd	30.29	-0.01	3.84
European	5½	59.76	59.89	63.93	+0.15	0.00
European Income	5½	58.69	58.69	62.66	-0.03	3.47
Exempt	3	792.0	792.0xd	826.6	-3.80	2.40
Extra Income	5	42.84	42.84	45.73	-0.16	5.09
F East Emerg Ecos	5½	41.57	41.71	44.68	+0.24	0.00
Fund Inv Tst	5	120.5	120.5xd	129.6	-0.10	2.64
Do Accum	5	187.6	187.6	200.3	-1.10	2.65
Gilt & Fixed Int	5½	21.83	21.83	23.31	-0.02	10.26
Income & Growth	5½	72.07	72.07xd	76.93	-0.32	4.28
Intl Income	5½	60.90	60.95xd	65.02	-0.15	5.60
Japan	5½	186.3	186.3	198.8	+0.10	0.00
Pacific	5½	333.9	334.6xd	358.5	-1.30	0.96
Secure Income	5	199.3	198.3xd	211.7	-0.70	6.27
Sentinel Spec Sits	5	269.6	269.6xd	287.8	-0.80	1.91
Smaller Companies	5½	60.14	60.14	64.30	-0.16	2.52
Special Situations	5½	70.45	70.45xd	75.20	-0.25	1.71
UK Growth	5	36.48	36.58xd	39.05	-0.23	2.76
UK Top 100	5½	25.33	25.33xd	27.04	-0.16	3.43

	Init Chrge	Canc. Price	Bid Price
CCL Unit Trusts Ltd (1400)F			
74 Shepherds Bush Green, W12 8SD			
UK General Tst	5½	54.00	54.86
Global Tst	5½	42.61	42.84
Recovery Tst	5½	54.04	56.30
CIBC Unit Tst Managers plc (1200)H			
Cottons Ctr, Cottons Lane, Ldn SE1 2QL			
Growth Fd Acc	5	106.3	107.7xd
CS Fund Managers Limited (1000)H			
125 High Holborn, London WC1V 6PY			
CS America	5	55.30	56.30xd
CS International	5	54.16	54.16xd
CS Japan	5	124.0	124.0
CS Portfolio Inv	5	70.58	70.58
Canada Life Unit Tst Mgrs Ltd (1200)F			
2-6 High St, Potters Bar, Herts			
Can Gen Dist	5	138.5	143.5
Do Gen Accum	5	230.9	239.4
Do Income Dist	5	93.76	97.58xd
Do Inc Accum	5	214.8	223.6
Gilt & Fxd Int	5	36.56	36.63
Cannon Fund Managers Ltd (0700)H			
1 Olympic Way, Wembley, HA9 0NB			
01-902 8876. Dealing			
Growth	5¾	38.03	38.39
Income	5¾	47.54	47.93
Far East	5¾	36.71	37.36xd
North American	5¾	32.00	32.33xd
Global	5¾	51.47	52.40
European	5¾	49.73	50.46
Japan	5¾	102.7	104.4
Intl Currency Bd	5¾	42.00	42.00xd
Strategic Opps	5¾	53.80	54.87xd
Capability Trust Mngrs Ltd (1200)F			
Admin, 5 Rayleigh Road, Hutton, Brentwood			
Enquiries 0277 227300 Dealing			
American & Gen	5	69.75	70.53xd
(Accum Units)	5	72.82	73.64xd
European Inc	5	51.40	51.77
(Accum Units)	5	52.05	52.42
Far East & Gen	5	65.31	65.68
(Accum Units)	5	65.31	65.68
Glenfriars	5	257.8	263.3
(Accum Units)	5	267.1	272.9
Growth	5	260.9	260.9
(Accum Units)	5	400.4	400.4
High Yield	5	318.1	319.6
(Accum Units)	5	354.6	356.3
Master Portfolio	1½	7691	7691xd
(Accum Units)	1½	8120	8120xd
Special Sits	5	65.00	65.00

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	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	62.74	65.33xd	68.40	-0.11	6.91
European	5	61.80	63.41	67.46	-0.03	0.10
Far Eastern	5	62.02	62.02	65.96	+0.33	0.77
Growth Inc	5	89.23	92.47	98.37	-0.21	3.38
Growth Acc	5	89.23	92.47	98.37	-0.21	3.38
Income Inc	5	82.56	84.43	89.82	+0.11	3.42
Income Acc	5	82.56	84.43	89.82	+0.11	3.42
Property Share	5	55.09	55.09	58.70	-0.19	1.02
Smaller Co's	5	58.68	61.90xd	65.85	-0.21	1.45
Formerly RBC Trust Managers Ltd						
Nth American	5	57.15	57.15	61.11	+0.33	1.75
International	5	45.46	45.46	48.44	-0.01	2.48
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	99.58	99.58	104.58	—	8.42
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.45	65.82	70.02	-0.08	2.75
YUTM UK Eq Inc Tr	5¼	60.31	62.40	66.38	-0.13	4.67
YUTM Intl Gwth Tst	5¼	48.59	48.50xd	51.59	-0.25	0.06

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Exmt April 19	451.9	470.9	—	—
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Apr 30		307.65	—	4.67
Fxd Int Sec Apr 30		141.35	—	10.19
Deposit Apr 30		100.00	—	12.45
Charities Official Invest. Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Apr 30		480.64	—	4.97
Accum Apr 30		1579.44	—	—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American May 10	131.9	135.9	+0.8	1.87
Managed May 10	131.8	136.7	+1.7	2.10
Japan May 11	141.6	145.5	+2.0	0.14
Pacific May 12	474.5	487.3	+9.6	0.21
Sm Jap Cos May 12	263.0	270.2	+2.5	0.15
Fidelity Investment Services Ltd				
Mngd Pens P'folio	120.7	123.8	—	1.50
Robert Fleming Asset Mngmt Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	259.0	272.7	—	—
Equity Acc	838.3	882.5	-3.5	—
Property Acc	488.9	514.7	+0.1	—
Far East Acc	206.3	217.2	-0.8	—
European Acc	21.7	22.9	-0.1	—
Managed Acc	641.6	675.5	-2.4	—
Managed Cap	376.1	395.9	-1.4	—
O'seas Earnings Acc	558.4	587.8	-2.8	—
Gilt Edged Acc	312.9	329.4	—	—
American Equity Acc	431.2	453.9	+1.5	—
American Man. Acc	200.5	211.1	+0.6	—
American Prop Acc	141.7	149.2	+0.1	—
Pen. F.I. Dep. Cap	285.3	300.4	+0.1	—
Pen. F.I. Dep. Acc	487.2	512.9	+0.1	—
Pen. Prop. Cap	572.0	602.2	+0.1	—
Pen. Prop. Acc	1078.6	1135.4	+0.2	—
Pen. Man. Cap	809.7	852.4	-2.9	—
Pen. Man. Acc	1426.3	1501.5	-5.4	—
Pen. Gilt Edg. Cap	315.4	332.0	—	—
Pen. Gilt Edg. Acc	485.8	511.4	+0.2	—
Pen. Eq. Cap	1328.3	1398.1	-6.0	—
Pen. Eq. Acc	1897.4	1997.3	-8.6	—
Pen. Am. Eq Cap	139.2	146.6	+0.1	—
Pen. Am. Eq Acc	167.6	176.5	+0.2	—
Pen. Far East Cap	245.9	258.9	-1.2	—
Pen. Far East Acc	296.1	311.7	-1.5	—
Pen. Euro Cap	24.6	25.9	-0.1	—
Pen. Euro. Acc	26.6	28.1	-0.1	—
Pen. B.S. Acc	553.7	582.8	+0.2	—
Pen. B.S. Cap	380.9	397.0	+0.1	—
Pen. D.A.F. Acc	373.7	373.7	+0.1	—
Pen. D.A.F. Cap	252.5	252.5	+0.2	—
Pen. Mortgage Cap	143.7	151.3	+0.1	—
Pen. Mortgage Acc	172.9	182.1	—	—
Swing Funds				
Pen Equ Cap	27.9	29.4	-0.1	—
Pen Equ Acc	29.0	30.6	—	—
Pen Am Eq Cap	30.1	31.7	+0.1	—
Pen Am Eq Acc	31.3	32.9	—	—
Pen Far East Cap	30.8	32.5	—	—
Pen Far East Acc	32.1	33.8	—	—
Pen Euro Cap	32.8	34.6	-0.1	—
Pen Euro Acc	34.2	36.0	—	—
Japan Capital Funds				
Pen Equ Cap	28.5	30.0	-0.2	—
Pen Equ Acc	29.6	31.2	-0.2	—
Pen Am Eq Cap	29.8	31.4	-0.4	—
Pen Am Eq Acc	30.9	32.6	-0.2	—
Pen Far East Cap	31.2	32.9	-0.1	—
Pen Far East Acc	32.3	34.1	-0.1	—
Pen Euro Cap	30.0	31.6	-0.1	—

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	118 0	125 0	+1 0	–
Building Soc. Fd	170 0	179 0		–
Balanced	282.0	297 0	–1 0	–
European	161 0	170 0	–1 0	–
GT Managed	172.0	179 0		–
Gartmore Mngd	115 0	122 0		–
German	113 0	119 0		–
Gilt	180 0	190 0	–1 0	–
Global	48 0	51 0		–
High Inc.	117 0	124 0		–
International Equity	188 0	198 0	–1 0	–
Japan	252 0	266.0	–1 0	–
Managed	64 0	68 0		–
Property	279 0	294 0		–
R. W. Imperial Gold	141 0	149 0		–
UK Equity	380 0	400 0	–2.0	–
Pension Funds				
American	147 0	155 0		–
Building Soc. Fd	169 0	178 0		–
Balanced	217 0	229.0		–
European	161 0	170 0		–
German	102 0	108 0		–
Gilt	149 0	157 0		–
International Equity	140 0	148 0		–
Japan	138 0	146 0		–
Managed	64 0	68 0		–
Property	215 0	227 0		–
UK Equity	341 0	359 0		–

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Grth Mngd.	585 3	616 8	–0 6	–
Adventurous Mngd	123 9	130 6	+0 1	–
Secure Mngd.	106 7	112 5	+0 1	–
Cash Fd.	231 3	243 8		–
Property Fund	284 4	301 6		–
Equity Fund	650 6	692 2	–0 9	–
Fxd Int. Fund	295 2	311 1		–
International	293 7	312 5	–1 1	–
High Income	475 3	505 7	–0 2	–
Far East	444 7	468 7	–2 1	–
North American	262 3	276 5	+1 0	–
Special Sits.	612 2	645 2		–
Technology	244.7	260 4	+0 6	–
Extra Inc Fd.	284 5	302 7	+0 3	–
Convertible & Gilt Fd.	152 9	162 7	+0 2	–
American Income	121.9	129 7	+0 5	–
Gilt Fund 20	297.9	317 0	+0 3	–
European Fund	98 3	103 6	–0 1	–
Pref & Fixed Int	97.5	102 8	–0 1	–
Balncd Gth Mgd Pens Acc	557 5	586 9	–0 5	–
Adventurous Mgd Pens Acc	118 9	125 2	+0.1	–

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary May 3	£152 21	157 48	+1.01	–
Equity May 3	£166 89	172 95	+1 18	–
International May 3	£25 14	25 88	+0 22	–
Intl Bond May 3	£11 71	11 86	+0 25	–
Fixed Int. May 3	£72 15	73 12	+0 35	–
Index Linked May 3	£60 62	61 38	+0 42	–
Property May 3	£107 52	113 98	+0.06	–
Cash May 3	£20 6364	20 6364	+0.0411	–
Pru-Linked Retirement Plan				
Managed May 9	378 1	393 9	+2.6	–
Cash May 9	194 1	202 2	+0.5	–
Prudential Pensions Investment Account				
Pens Mngd May 10	154 5	162 7	–0.4	–
Pens UK Eq May 10	300 6	316 5	–1 6	–
Pens Intl May 10	181 4	191 0	+0 5	–
Pens Fixed May 10	165 5	174 3	–0 1	–
Pens Index Lk May 10	154 7	162 9	–0.5	–
Pens Cash May 10	126 7	133 4		–

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	118.1	124 3	–0 2	–
Balanced Ptflio Fd.	310 6	326 9	–0.5	–
Cautious Ptflio Fd.	121.2	127 5	–0 1	–
Elite Fund	107.0	112 6	–0 4	–
European Fund	81 2	85 4	–0 2	–
Far East Fund	112 7	118 6	+0.5	–
Fixed Interest Fund	242 1	254 8	+0 3	–
International Fund	258 9	272 5	–0 3	–
Money Fund	175 3	184 5		–
N. American Fd.	114 5	120 5	+0 5	–
Property Fund	417 8	439 7	–1 1	–
UK Equity Fd	381 1	401 1	–0 7	–
A I B Bremo Diplo Fd	92.7	97 6	–0 2	–
Swiss Select Invs	111 5	117 4	+0 3	–
Chart Safety First Bd	108 6	114 3	–0 2	–
Exec Master Fd	93 1	98 0	–0 4	–
Hardwick Growth Fd.	109 1	114 8	+0.1	–
Berkley Hang LR Port.	99 7	104 9		–
Milbourne Spec Port.	112.8	118 7	+1.7	–
Swim Global Fd	110 7	116.5		–
Hardwick Tst Fd	71 8	75.6		–

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	123 0	129 5	+0.1	–
Equity Acc Fd	306 3	322.4	–1 6	–
Managed Acc Fd	276 2	290.8		–
Prop Fd (1st Issue)	–	561 2		–

Royal Heritage Life Assurance Ltd

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd-Contd.

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Western & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

Noble Lowndes & Partners Ltd

O'Halloran & Co/Countrywide

PBR Fund Management Ltd

Rutland Insurance Broking & Inv Grp Ltd

Sharp (Albert E.) & Co

Siltala Fund Managers Limited

Tattersall Investment Mngt. Ltd

Torry Law & Co

University Medical General Ltd.

J. B. Ward Financial Services Ltd

Yorkshire & Lancashire Investment Mgt.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99⅞	99⅛	Treas 10½pc 1989	99⅞xd	+⅛	10.52	12.37
99½	98⅞	Exch.10pc 1989	99⅛	+⅛	10.06	12.45
99½	99⅛	Exch 11pc 1989	99½	+⅛	11.06	12.26
97½	95⅝	Treas 5pc 1986-89	97⅜	+⅛	5.11	10.22
99½	99⅛	Exch 10¼pcCv '89	99½xd	+⅛	10.30	11.08
101⅛	100⅛	Treas 13pc 1990‡‡	100⅝	.....	12.92	11.95
99⅞	98⅞	Exch 11pc 1990‡‡	99⅛	.....	11.07	11.88
101⅛	99⅞	Exch 12¼pc 1990	100½	.....	12.45	11.98
93⅞	91⅛	Treas. 3pc 1990	93⅞xd	+⅛	3.20	9.64
96⅞	95⅝	Treas 8¼pc 1987-90‡‡	96½xd	+⅛	8.54	11.72
98⅞	95⅞	Treas 8pc Cv 1990 ‡‡	96⅛	.....	8.30	11.32
98⅞	97⅛	Treas. 10pcCv 1990	97⅞	+⅛	10.24	11.78
90⅝	87⅞	Exch 2½pc 1990	90½xd	+⅛	2.76	9.29
101⅞	99⅞	Treas 11¾pc 1991	100⅛	+⅛	11.73	11.60
91⅞	89⅞	Funding 5¾pc '87-91‡‡	91⅞	-⅛	6.26	10.58
88⅞	86⅛	Treas. 3pc 1991	88⅞xd	+⅛	3.39	9.32
100⅛	96⅞	Treas 10pc Cv '91 ‡‡	97⅛	-⅛	10.26	11.37
101⅛	98⅛	Exch. 11pc 1991	99⅛	+⅛	11.10	11.42
94⅝	91⅞	Treas. 8pc 1991	92⅞xd	.....	8.63	11.35
106⅛	102⅞	Treas 12¾pc 1992‡‡	103⅞	+⅛	12.29	11.09
99½	96½	Treas 10pc 1992	97⅛	.....	10.28	11.14
94⅛	91½	Treas. 8pc 1992 ‡‡	92⅞	+⅛	8.66	11.12
100⅛	97⅞	Treas 10½pc Cv 1992‡‡	98⅞	+⅛	10.66	11.10
85⅛	82⅛	Treas. 3pc 1992	84⅛xd	-⅛	3.56	8.98
105⅞	102⅛	Exch. 12¼pc '92	103⅛	+⅛	11.89	11.11
109⅛	105⅞	Exch 13½pc 1992	106⅛	+⅛	12.65	11.03
94⅛	90⅞	Treas 8¼pc 1993	92⅛	.....	8.96	10.86
100⅛	96⅛	Treas 10pc 1993‡‡	97⅞	+⅛	10.24	10.72
108⅛	104⅛	Treas 12½pc 1993‡‡	105½	.....	11.85	11.82
87⅛	84⅛	Funding 6pc 1993‡‡	85⅛	-⅛	6.99	10.08
113⅛	109⅞	Treas 13¾pc 1993‡‡	110⅛xd	-⅛	12.45	10.76
94⅝	90⅞	Treas. 8½pc 1994	91⅞	+⅛	9.25	10.72
117⅞	113⅞	Treas 14½pc 1994‡‡	114½	+⅛	12.67	10.57
113⅞	109⅞	Exch 13½pc 1994	110⅛	+⅛	12.25	10.77

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100⅝	96⅞	Treas. 10pc Ln 1994‡‡	97⅞xd	+⅛	10.23	10.58
110⅛	106⅛	Exch. 12½pc 1994	106⅞	+⅛	11.70	10.76
96⅞	92⅝	Treas 9pc 1994‡‡	93⅛xd	+⅛	9.61	10.53
108⅞	104⅛	Treas 12pc 1995	105⅛	+⅛	11.40	10.72
79⅞	74½	Exch 3pc Gas 90-95	76	+⅛	3.95	8.15
101⅞	97½	Exch. 10¼pc 1995	98⅛	.....	10.42	10.60

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89½	86½	NZ 7½pc 1988-92	87½	.....	8.26	11.90
206	206	S Rhod 2½pc Non-Asstd.	206	.....	-	-
84½	84½	Do. 4½pc 87-92 Asstd.	84½xd	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99⅞	98⅛	N'wide Anglia 8⅞pc 30.5.89	99⅞	.....	8.96	13.23
99⅞	98⅞	Do 9⅞pc 26.6.89	99⅞	.....	9.86	12.95
99⅞	98⅝	Do. 10⅞pc 17.7.89	99⅞	.....	10.74	13.08
99⅞	98⅞	Do. 11⅛pc 7.8.89	99⅞	.....	11.12	13.13
99½	98⅞	Do 11⅝pc 29.8.89	99½	.....	11.62	13.12
99⅞	99⅛	Do. 12⅛pc 18.9.89	99⅞	.....	12.43	13.16
99⅞	99⅛	Do. 12⅜pc 2.10.89	99⅞	.....	12.37	13.15
99⅞	98⅞	Do. 11⅞pc 6.11.89	99⅞xd	.....	11.89	13.16
100	99⅛	Do 12⅜pc 4.12.89	99⅞xd	.....	12.37	13.19
100⅛	99⅞	Do 12⅞pc 2.1.90	99⅞	.....	12.85	13.20
100⅛	99⅞	Do. 12⅝pc 29.1.90	99½	.....	12.63	13.17
100	99⅛	Do. 12⅞pc 26.2.90	99⅛	.....	12.74	13.15
102⅛	99⅛	Do. 3⅞pcIL Ln 2021	100½xd	.....	4.38	4.45

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	95	Agric. Mt. 5pc '59-89	99	.....	5.05	-
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass	80	.....	2.75	13.57
139⅞	132½	Hydro Quebec 15pc 2011	133⅛	+⅛	15.00	10.96
128⅞	122⅛	Iceland 14½pc Ln 2016	123⅞xd	-⅛	14.50	11.62
97⅛	94½	Ireland 9¾pc 91-96	95¼xd	.....	9.75	10.70

AMERICANS

1989 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
33½	26⅛	Abbott Laboratories‡	33½xd	.....	$1.20	-	2.1
537p	361p	Allegheny & W 1c	510p	+8	30c	-	3.4

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
24¼	21½	Dana Corp. $1	23¼	−¼	$1.60	—	3.9
10½	854p	Data General	10	+⅛	—	—	—
32¼	29¼	Dun & Bradstreet $1	30¾	−⅜	$2.00	—	3.8
35⅜	30½	Eaton Corpn 50c	35	+¼	h$2.00	—	3.3
10¼	8½	Echlin Inc.	9⅛	−⅛	70c	—	4.1
18¾	16⅞	FPL Group 1c	18¼	.....	$2.20	—	7.0
32⅛	27⅝	Ford Motor $1	27¾	−⅛	$3.00	—	6.3
35⅜	30⅛	GATX 62½c	35⅛	+⅛	$2.00	—	3.3
29⅛	24¼	Gen. Elect. 63c	28⅜	−⅛	$1.64	—	3.4
567p	484p	♥General Host Corp $1	525p	+8	28c	—	3.1
23⅝	16⅛	Gillette $1	23⅛	−⅛	96c	—	2.4
769p	616p	Gt Am First Svgs Bk $1	750p	−8	60c	—	4.7
19⅛	16⅛	Greyhound $1½	19⅛	−⅛	$1.32	—	4.0
11½	847p	Hasbro Inc 50c	10⅝	−⅛	16c	—	0.9
8⅛	6	Home Group $1	8	−⅛	20c	—	1.5
46⅛	32¼	Honeywell $1½	45½	−¼	$2.10	—	2.7
17⅜	15¼	Houston Inds	16⅞	−⅜	$2.96	—	10.2
74⅝	63⅛	IBM Corpn $1¼	65¼	.....	$4.84	—	4.3
52p	45p	♥Image Storage/R Sys 1c	45p	−2	—	—	—
23⅛	18¼	Ingersoll-Rand $2	23¼	.....	$1.04	—	2.6
29⅛	22½	Lockheed Crpn $1	28½	+⅛	$1.60	—	3.3
18⅛	15⅛	Lone Star Inds $1	18	+⅛	$1.90	—	6.2
21¼	17½	Louisiana Land 15c	20¼	.....	$1.00	—	2.8
15⅛	11½	Lowe's 50c	14	−½	48c	—	2.0
21⅛	15⅛	Manuf. Hanover $1	20⅜	−¼	$3.28	—	9.4
17⅛	13⅛	Merrill Lynch $1	17	+⅛	$1.00	—	3.4
2253p	1910p	Moles Inc	2045p	−2	3.2c	—	—
23⅝	18⅛	Morgan (JP) $2½	21⅞	+⅛	$1.66	—	4.5
44¼	36⅛	NYNEX $1	43¼	.....	$4.04	—	5.5
21⅛	18¼	PHH Corp.	21¼	+⅛	$1.12	—	3.0
244p	220p	♥Pacific Agr	243p	.....	—	—	—
22½	19	Pacificorp $3¼	22½	+⅛	$2.64	—	6.9
23¼	16⅞	Pacific Telesis 10c	23⅛	+¼	$1.88	—	4.7
19	15¼	Pall Corp. 25c	18⅛	−⅛	48c	—	1.5
50⅞	39⅞	Pennzoil 83 1/3c	50⅛	−⅛	$3.00	—	3.5
22⅛	17⅛	Premark Intl	22⅛	+⅛	60c	—	1.6
34⅛	26⅛	Quaker Oats $5	33½	.....	$1.20	—	2.1
26⅛	23⅛	Rep NY Corpn $5	25⅛	.....	$1.28	—	2.9
13¼	11⅛	Rockwell Intl $1	13⅛	.....	72c	—	3.2
29¼	21⅛	Southwestern Bell $1	29	+¼	$2.48	—	5.0
23⅛	17⅛	Sun Co. Inc. $1	23⅜	−⅛	$1.80	—	4.5
26⅛	22⅛	TRW Inc. 62½c	25⅛	−¼	$1.72	—	3.9
19¼	14⅛	TW Services $5	19	.....	10c	—	0.3
31⅛	26¼	Tenneco $5	31⅛	−⅛	$3.04	—	5.7
32½	28	Texaco $6.25	32⅛	−⅛	♦$3.00	—	5.5
25⅛	21⅝	Texas Instr. $1	23⅜	−⅛	72c	—	1.8
71⅛	58⅝	Time Inc. $1	71⅛	+2⅛	$1.00	—	0.8
17⅛	15⅛	TRINOVA Corp.	15⅞	−⅛	56c	—	2.4
20⅛	16	USX $1	20⅛	+⅛	$1.40	—	4.0
164p	126p	♥Unilab	162p	.....	—	—	—
31⅛	22¼	Utd. Technologies	30	−⅛	$1.60	—	3.1
158p	128p	♥Unitech Inc	134p	.....	—	—	—
39⅛	31½	US West	39⅛	+⅛	$3.76	—	5.6
28⅝	22⅝	Waste Management $1	28⅛	−½	48c	—	1.0
17⅞	13½	Whirlpool $1	17¼	+⅛	$1.10	—	3.6
20¼	16⅛	Whitman Corp	20	−¼	96c	—	2.8
31⅞	25⅛	♥Woolworth $3½	29⅛	−⅛	$1.64	—	3.2

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
157p	129p	♥ABM Gold Corp	139p	.....	—	—	—
23½p	4½p	♥Abbot Energy Corp.	11½p	.....	—	—	—
13¼	902p	♥Amer. Barrick Res	12¼	−¼	—	—	—
3½p	2½p	♥Amer. Lightwave	2½p	.....	—	—	—
19½p	12½p	♥Armeno	13p	−2	—	—	—
316p	94p	♥Asiamerica Hldgs	304p	.....	—	—	—
33½p	20p	♥Augmitto Expln	28p	.....	—	—	—
15½	12⅞	Bk. Montreal	15¼	+¼	$2.12	—	7.0
839p	655p	Bk. Nova Scot.	836p	+13	84c	—	5.1
18⅜	17	BCE	18⅜	.....	$2.44	—	6.6
778p	570p	♥Bow Valley	773p	−5	♦40c	—	2.6
14¼	12¼	♥Brascan	13¼	+¼	88c	—	3.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

For Oil Group see Recent Issues

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to improve

THE US dollar retained the confidence of investors in currency markets yesterday, shrugging aside lower than expected US retail sales in April and gaining strength from suggestions that additional US troops may be moved into Panama to protect US citizens after post-election violence.

Central banks again remained on the sidelines yesterday and the dollar edged above DM1.91 during the morning to touch a high of DM1.9175. The firmer tone at the start of trading was underpinned by comments from an official at the Bank of Japan, suggesting that in the recent daily contacts between the Group of Seven nations, there has been no serious discussion about rigid dollar ranges.

But despite the firm undertone, there was no attempt to test the next significant level of resistance at DM1.9350, and investors seem content to await the release today of US producer prices for April.

Retail sales in April rose by just 0.4 per cent compared with expectations of around a one per cent increase. The dollar bulls tended to turn the news to their advantage, arguing that a reduction in sales reduces inflationary expectations and increases the real return offered on US-denominated paper.

The dollar opened at around DM1.9070 and broke through the DM1.91 level before lunchtime. It finished in London at DM1.9135 up from DM1.9050 on Wednesday. It was also firmer against the Japanese yen, rising to its best level since September last year at Y135.20, and compared with Y134.40 on Wednesday. Elsewhere, it finished at SFr1.7055 from SFr1.6925 and FFr6.4700 from FFr6.4325.

While central banks refrained yesterday from any attempt to control the dollar's rise, some traders remain cautious, suggesting that renewed attempts are likely, whether through higher interest rates or further co-ordinated dollar sales.

The dollar's retreat from the day's highs came after comments yesterday from Mr Leonhard Gleske, a board member of the West German Bundesbank, when he said that the attention of the market would ultimately turn to current trade imbalances. This provided the opportunity for some short-term investors to take profits.

Sterling moved slightly firmer towards the close of business, having spent most of the day confined to a narrow range. Its exchange rate index finished at 95.1, up from 95.0.

Against the dollar, sterling fell to $1.6655 from $1.6720 but was slightly firmer against the D-Mark at DM3.1875 from DM3.1850. It was also higher against the yen at Y225.25 from Y224.75. Elsewhere, it finished at SFr2.8400 from SFr2.8300 and FFr10.7775 compared with FFr10.7550. On Bank of England figures, the dollar's exchange rate index rose from 69.2 to 69.4.

There was little reaction to news that UK power workers will start some form of industrial action from May 24. Investors are still attracted by the high level of UK interest rates, and drew further support from Mrs Margaret Thatcher, the Prime Minister, when she repeated the Government's determination to bear down on inflation.

£ IN NEW YORK

May 11	Latest	Previous Close
£ Spot	1.6665-1.6675	1.6735-1.6742
1 month	0.38-0.37pm	0.39-0.38pm
3 months	1.20-1.18pm	1.20-1.17pm
12 months	4.15-4.05pm	4.15-4.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.11	Previous
8.30 am	95.0	94.9
9.00 am	95.0	94.9
10.00 am	95.0	94.9
11.00 am	95.0	94.9
Noon	95.0	94.9
1.00 pm	95.0	95.0
2.00 pm	95.0	95.0
3.00 pm	95.0	95.0
4.00 pm	95.1	95.0

CURRENCY RATES

May.11	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.769679	0.653876
U S Dollar	7	1.28367	1.08838
Canadian $	12.39	1.53089	1.29114
Austrian Sch.	5	17.2191	14.6517
Belgian Franc	7.75	51.2666	43.5949
Danish Krone	7½	9.51199	8.10405
Deutsche Mark	4.50	2.44899	2.08261
Neth. Guilder	5.50	2.75925	2.34730
French Franc	9½	8.27133	7.03581
Italian Lira	13½	1735.10	1518.01
Japanese Yen	2½	172.525	146.898
Norway Krone	8	8.85090	7.52830
Spanish Peseta	-	152.301	129.408
Swedish Krona	9½	8.29122	7.04288
Swiss Franc	4.5	2.16940	1.85623
Greek Drach.	20½	205.289	177.188
Irish Punt	-	0.914687	0.779137

*All SDR rates are for May.10

CURRENCY MOVEMENTS

May.11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	95.1	-16.3
U S Dollar	69.4	-9.0
Canadian Dollar	103.5	+0.3
Austrian Schilling	106.5	+9.8
Belgian Franc	105.6	-6.3
Danish Krone	102.7	-2.1
Deutsche Mark	112.4	+20.2
Swiss Franc	103.1	+12.5
Guilder	109.9	+12.9
French Franc	99.2	-15.3
Lira	97.8	-19.8
Yen	145.4	+77.4

Morgan Guaranty changes. average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May.10 .

OTHER CURRENCIES

May.11	£	$
Argentina	172.45 - 172.75	103.65 - 103.75
Australia	2.1015 - 2.1035	1.2630 - 1.2640
Brazil	1.7470 - 1.7560	1.0500 - 1.0550
Finland	7.0720 - 7.0930	4.2600 - 4.2620
Greece	268.65 - 273.15	161.05 - 163.65
Hong Kong	12.9400 - 12.9530	7.7770 - 7.7790
Iran	120.00*	71.20*
Korea(Sth)	1111.45 - 1120.35	663.70 - 669.10
Kuwait	0.48790 - 0.48890	0.29200 - 0.29250
Luxembourg	66.90 - 67.10	40.00 - 40.10
Malaysia	4.4800 - 4.4995	2.6925 - 2.6945
Mexico	4068.95 - 4073.05	2446.00 - 2447.00
N. Zealand	2.6810 - 2.6860	1.6100 - 1.6125
Saudi Ar.	6.2665 - 6.2690	3.7500 - 3.7510
Singapore	3.2515 - 3.2585	1.9560 - 1.9580
S. Af (Cm)	4.3345 - 4.3455	2.6080 - 2.6110
S. Af (Fn)	6.9350 - 7.0835	4.1665 - 4.2566
Taiwan	42.60 - 42.70	25.60 - 25.65
U.A.E.	6.1360 - 6.1395	3.6725 - 3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5949	+2.68	+0.96	±1.5344
Danish Krone	7.85212	8.10405	+3.21	+1.49	±1.5404
German D-Mark	2.05853	2.08261	+1.17	-0.55	±1.0981
French Franc	6.90403	7.03581	+1.91	+0.19	±1.3674
Dutch Guilder	2.31943	2.34730	+1.20	-0.52	±1.5012
Irish Punt	0.766411	0.779137	+1.40	-0.32	±1.6684
Italian Lira	1483.58	1518.01	+2.32	+1.31	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

May.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6600 - 1.6725	1.6650 - 1.6660	0.39-0.36cpm	2.70	1.20-1.18pm	2.86
Canada	1.9700 - 1.9790	1.9750 - 1.9760	0.09pm-0.03cdis	0.18	0.31-0.17pm	0.49
Netherlands	3.58½ - 3.59½	3.58½ - 3.59½	1¾-1½cpm	5.43	5-4¾pm	5.43
Belgium	66.45 - 66.85	66.65 - 66.75	27-23cpm	4.50	79-72pm	4.53
Denmark	12.37¾ - 12.40½	12.39½ - 12.40½	4½-3⅝orepm	3.93	11⅝-10½pm	3.57
Ireland	1.1875 - 1.1950	1.1910 - 1.1920	0.40-0.35ppm	3.78	1.10-1.00pm	3.52
W. Germany	3.18 - 3.19	3.18½ - 3.19	1¾-1½pfpm	6.12	4⅞-4⅝pm	5.96
Portugal	261.95 - 264.10	263.10 - 264.10	par-28cdis	-0.64	19-108dis	-0.96
Spain	197.65 - 198.45	198.10 - 198.40	par-9cdis	-0.27	6-17dis	-0.23
Italy	2318 - 2325½	2324½ - 2325½	3-parlirepm	0.77	7-4pm	0.95
Norway	11.49¾ - 11.53	11.52 - 11.53	2⅞-1½orepm	2.02	6⅝-5½pm	2.06
France	10.74¼ - 10.78¼	10.77¼ - 10.78¼	3¾-3¼cpm	3.97	10⅞-10¼pm	3.92
Sweden	10.76½ - 10.78½	10.77½ - 10.78½	1½-1orepm	1.39	4-3¼pm	1.35
Japan	224½ - 225¾	224¼ - 225¼	1⅝-1½ypm	8.32	4½-4¼pm	7.77
Austria	22.35 - 22.43	22.39 - 22.42	9⅝-8⅝gropm	4.89	30⅞-27¾pm	5.23
Switzerland	2.82¾ - 2.84½	2.83½ - 2.84½	1⅜-1¼cpm	5.55	4-3¾pm	5.46

Belgian rate is convertible francs. Financial franc 66.90-67.00. Six-month forward dollar 2.36-2.32cpm 12 months 4.15-4.05cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6600 - 1.6725	1.6650 - 1.6660	0.39-0.36cpm	2.70	1.20-1.18pm	2.86
Ireland†	1.3940 - 1.4025	1.3975 - 1.3985	0.17-0.22cdis	-1.68	0.30-0.40dis	-1.00
Canada	1.1830 - 1.1885	1.1865 - 1.1875	0.23-0.27cdis	-2.53	0.68-0.74dis	-2.39
Netherlands	2.1470 - 2.1605	2.1555 - 2.1565	0.51-0.49cpm	2.78	1.43-1.39pm	2.61
Belgium	39.85 - 40.15	40.00 - 40.10	7.00-5.50cpm	1.87	19.00-16.00pm	1.75
Denmark	7.40½ - 7.46	7.44¼ - 7.44¾	0.90-0.65orepm	1.25	1.70-1.30pm	0.81
W. Germany	1.9035 - 1.9175	1.9130 - 1.9140	0.56-0.54pfpm	3.45	1.52-1.48pm	3.13
Portugal	157.85 - 158.15	158.05 - 158.15	35-50cdis	-3.22	125-175dis	-3.79
Spain	118.35 - 119.10	118.95 - 119.05	22-32cdis	-2.72	80-90dis	-2.86
Italy	1388 - 1396¼	1394¾ - 1395¼	2.00-2.50liredis	-1.94	6.20-6.70dis	-1.24

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

US Treasury bonds rise

PRICES OF US Treasury bond and Eurodollar futures rose on Liffe yesterday, following news that US retail sales rose only 0.4 per cent in April, after a revised unchanged figure in March.

Sentiment was also affected by reports that President George Bush is considering sending more US troops to Panama, on concern at the outcome of Sunday's presidential election. June Treasury bonds rose to 88-19 from 88-13 and Eurodollars for June delivery climbed to 90.15 from 90.11.

However, the firmer tone was limited, as traders awaited the results of the US 30-year bond auction, due after the close of business on Liffe.

Sterling contracts also gained some support from the US retail sales figures, but finished little changed in quiet and nervous trading, awaiting the next batch of UK economic statistics. These will include average earnings figures next Thursday and the retail prices index next Friday.

June short sterling futures showed little movement, closing unchanged at 86.92 while long gilt futures for the same month eased to 95-03 from 95-04.

LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 55,952

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates hold steady

INTEREST RATES in London remained steady yesterday in a market generally lacking fresh factors. Weaker than expected US retail sales figures in April helped keep upward pressure off rates, while publication of the Bank of England's Quarterly Bulletin came too late to have any impact.

The Prime Minister, reinforced the UK Government's commitment to fighting inflation, during question time in Parliament stressing that interest rates will remain high for as long as is required.

UK clearing bank base lending rate 13 per cent from November 25

Three-month interbank closed at 12 13/32-12 9/32 per cent compared with 12 13/32-12¼ per cent on Wednesday. Day-to-day credit conditions were reasonably comfortable on the London money market. The Bank of England initially forecast a credit shortage of £200m, but revised this to £100m at noon and to £150m in the afternoon. The authorities did not operate in the afternoon before lunch and in the afternoon bought £177m bank bills in band 1 at 12⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £287m, with a rise in the note circulation absorbing £70m and bank balances below target £25m. These factors outweighed Exchequer transactions adding £175m to liquidity.

In Frankfurt call money fell to 6.15 per cent from 6.30 per cent, on an increase in reserve holdings by the commercial banks with the Bundesbank. These rose to DM62.3bn on Tuesday from DM59.8bn on Monday and an average of DM59.3bn for the first nine days of the month.

The lower trend in rates may be only temporary. The Bundesbank indicated it did not wish to see rates decline when draining funds from the banking system at this week's securities repurchase agreement tender. The market expects a gradual firming in the near future on the possibility that the West German authorities are slightly tightening monetary policy.

In Rome the weighted average rate on the Bank of Italy's reverse securities repurchase tender fell to 11.59 per cent from 12.04 per cent, and the maximum rate fell to 11.80 per cent from 12.15 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 11) 3 months US dollars: bid 9⅞, offer 10. 6 months US Dollars: bid 9⅞, offer 10.

MONEY RATES

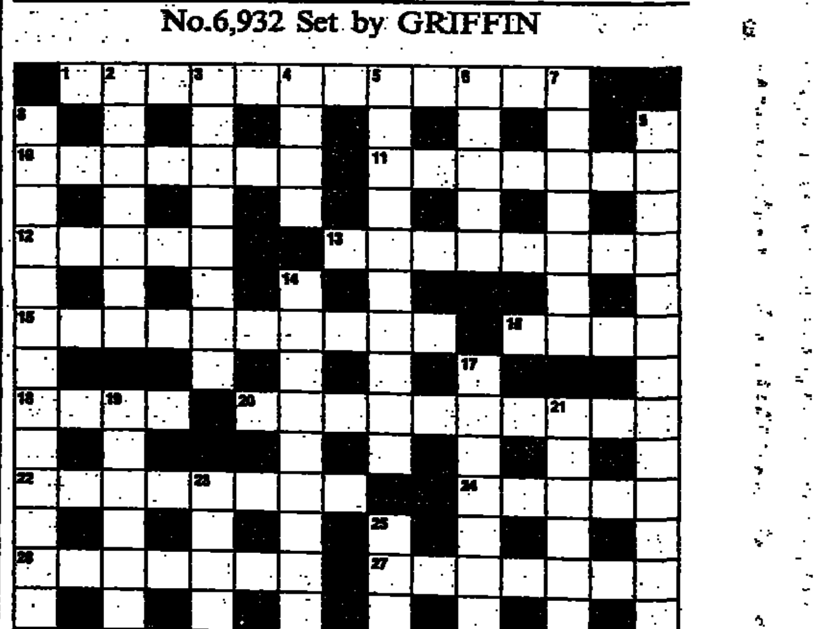
LONDON MONEY RATES

BASE LENDING RATES

JOTTER PAD

CROSSWORD

No.6,932 Set by GRIFFIN



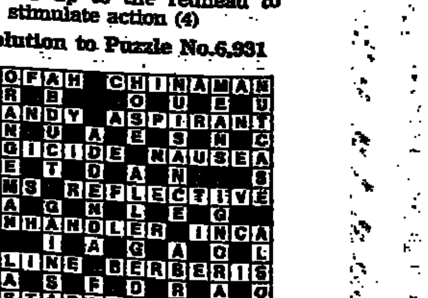
ACROSS

1 "Having the same duration as summer" at once appears wrong (12)
10 Polite engineers get penalised (7)
11 Managed to continue to find capital (7)
12 Tease a couple of fellows after church (5)
13 Pity meal disrupted school break (8)
15 Having terrible pain rested uneasily in flat (10)
16 Join, having said Kay can return (4)
18 Volunteers to go to court, showing diplomacy (4)
20 Mix with me at a gala, dancing round Minehead (10)
22 Starts typing novel "Drama in the Wood" (8)
24 Condition rejected when accepting plastic gun mould (5)
26 On crushing a riot internally makes speech (7)
27 First left on entering the plant (7)
28 Be told it's ended badly without getting discouraged (12)

DOWN

2 Unsatisfactory labourer is impolite (7)
3 Passenger list mother has sent if travelling (8)
4 Fellow climbing a pole indicates agreement (4)
5 A bull Irene set free is not safe! (10)
6 To irritate vote against something in any case (5)
7 Feeling string attached to nightlight, holding it up (7)
8 Having dismantled copier paint it, showing undue haste (13)
9 Given a number? (13)
14 Relative importance of minor change in money (10)
17 In restaurant fine cook finds something in the coffee (8)
19 House doctor, a male, is in control (7)
21 Before going outside catch girl (7)
23 Ringleader said to have arranged attacks (5)
25 It's up to the redhead to stimulate action (4)

Solution to Puzzle No.6,931



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE | JAPAN

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices May 10

[illegible]

MONTREAL

Closing prices May 10

[illegible]

INDICES

NEW YORK DOW JONES

	May 10	May 9	May 8	May 5	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2374.45	2371.33	2376.47	2381.96	2418.99 (27/4)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.40	88.61	88.57	88.62	89.62 (8/2)	87.35 (23/3)	-	-
Transport	1112.06	1116.43	1120.96	1129.85	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	191.74	192.09	192.39	192.86	192.86 (5/5)	181.84 (24/2)	227 83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2387.83 (2390.83) Low 2361.25 (2356.85)

STANDARD AND POOR'S	May 10	May 9	May 8	May 5	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	305.81	305.19	306.00	307.61	309.64 (28/4)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	352.15	351.35	352.24	354.16	357.49 (21/4)	312.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.10	28.01	28.18	28.29	28.83 (21/4)	24.30 (3/1)	32.43 (25/8/37)	8.64 (1/10/74)
NYSE Composite	171.13	170.80	171.26	172.14	173.13 (28/4)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	344.80	345.09	345.85	346.84	346.84 (5/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	429.64	428.97	429.32	430.74	430.74 (5/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 5	Apr 28	Apr 21	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.45	3.46	3.54
	May 3	Apr 26	Apr 19	year ago (approx.)
S & P Industrial div. yield	3.08	3.08	3.05	2.94
S & P Indl. P/E ratio	13.64	13.60	13.62	15.35

TRADING ACTIVITY †Volume Millions

	May 10	May 9	May 8
New York	146.600	151.074	131.730
Amex	10.552	7 10.36	10.248
OTC	129.661	135.654	(u)

NEW YORK	May 10	May 9	May 8
Issues Traded	2,790	1,956	1,941
Rises	859	612	503
Falls	715	804	957
Unchanged	1,216	539	481
New Highs	85	33	31
New Lows	44	25	24

CANADA

TORONTO	May 10	May 9	May 8	May 5	1989 High	1989 Low
Metals & Minerals	3332.1	3309.5	3321.4	3313.5	3564.9 (6/2)	3207.5 (3/1)
Composite	3575.1	3568.9	03579.	3599.2	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1823.53	1819.01	1826.75	1837.39	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Avon Prod	5,431,900	39⅞	+ 3⅞
Pan Am	5,033,000	5	—
Blockbuster	2,278,200	26⅛	- 4
Sv Pub Svc	2,050,300	25⅞	—
Gen Pub Utilities	1,845,400	36½	- ⅛
AT&T	1,575,500	33⅝	- ⅛
Exxon	1,360,200	42⅛	—
USX Corp	1,336,700	34	+ 1⅛
IBM	1,288,400	109⅝	- ⅛
Texas Utilities	1,188,400	28⅞	—

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 11	May 10	May 9	May 8	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1515.6	1502.9	1501.8	1512.6	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	676.0	673.8	674.7	680.3	727.0 (26/1)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	319.82	320.23	318.66	317.89	320.23 (10/5)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	5997.36	5980.58	5970.67	5944.77	5997.36 (11/5)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	308.88	308.97	308.52	308.58	308.97 (10/5)	275.49 (27/2)
FINLAND Unitas General (1975)	792.7	795.5	797.1	797.3	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	461.4	463.0	464.2	(c)	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	108.6	108.9	109.3	(c)	111.3 (24/4)	97.5 (2/2)
GERMANY FAZ Aktien (31/12/58)	575.85	575.89	576.26	579.77	585.28 (13/4)	535.76 (27/2)
Commerzbank (1/12/53)	1709.0	1711.3	1712.0	1721.0	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1358.79	1360.78	1366.2	1380.07	1394.62 (17/4)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	3085.10	3280.98	3262.25	3268.54	3285.10 (11/5)	2706.69 (3/1)
ITALY Banca Com. Ital. (1972)	606.63	608.32	606.18	605.68	620.30 (24/4)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	34081.49	33992.35	34031.87	34135.22	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2537.99	2535.08	2538.23	2544.60	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS CBS Tst.Ret.Gen.(End 1983)	257.8	257.5	259.3	259.4	260.1 (5/5)	208.3 (3/1)
CBS All Shr (End 1983)	187.8	187.7	189.1	189.3	190.6 (27/4)	166.7 (3/1)
NORWAY Oslo SE (2/1/83)	629.56	638.37	644.43	644.82	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1287.32	1280.67	1280.57	(c)	1287.32 (11/5)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1479.0	1463.0	1445.0	1449.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2522.0	2514.0	2521.0	2536.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	303.25	303.57	303.76	303.33	303.76 (9/5)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	3887.2	3877.3	3879.2	3880.2	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	675.5	676.4	675.9	680.2	686.0 (28/4)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	512.3	511.4	513.5	519.0 (2/2)	491.2 (28/3)

§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 11 May 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	117.8m	984	+23
Dainippon Ink	29.4m	894	+24
Kawasaki Steel	20.8m	1,080	+20
Mitsubishi Metal	11.8m	1,270	+30
Daiichi Chuo Kisen	11.8m	1,040	+101
KHI	10.5m	1,080	+30
Toshiba	10.3m	1,300	0
Nippon Steel	10.3m	946	+8
Kayaba	9.5m	886	+29
Mitsubishi Kasei	8.1m	1,200	+10

3pm prices May 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
29⅞	21¾	AAR	.44	1.5	19	266	28⅞	28½	28⅝	+ ⅛
10⅛	8⅞	ACM n	1.01	12.		229	8⅞	8¾	8¾	– ⅛
11⅞	10¼	ACMIn	1.26a	12.		229	10¾	10½	10½	
10½	8½	ACM M	n1.01	11.		159	8⅞	8¾	8⅞	
11½	10⅛	ACM Sc	1.26	12.		522	10⅝	10½	10½	
10⅛	8⅝	ACMSp	n1.01	11.		278	8⅞	8⅝	8⅞	
4⅞	2⅝	AMCA	.12e	2.9	29	4	4⅛	4⅛	4⅛	+ ⅛
6⅛	3½	AM Intl				2257	5⅞	5¾	5⅞	
23½	18⅛	AM Int pf	2	8.5		4	22⅝	22½	22½	
64⅛	29	AMR			7	5441	61½	60⅞	60¾	– ¼
28⅝	25	ANR pf	2.67	11.		402	25	25	25	
24⅝	23	ANR pf	2.12	8.8		150	24	24	24	+ ⅛
9½	4¼	ARX				42	4⅞	4⅛	4⅛	– ⅛
47	35¼	ASA	3a	7.3		154	41⅞	41⅛	41⅛	+ ⅛
20¼	14¼	AVX	.24	1.2	10	416	u20⅞	20	20¼	+ ⅛
56¼	42⅞	AbtLab	1.40	2.5	16	2371	u56⅞	56⅛	56½	+ ⅝
19	15⅝	Abitibi g	1			4	17⅞	17⅞	17⅞	+ ⅛
12	7½	AcmeC	.40	3.9		15	10⅛	10⅛	10⅛	
8	5⅞	AcmeE	.32	4.1	15	8	7⅞	7¾	7¾	
32⅛	20¼	Acuson			25	598	31⅞	31⅝	31⅝	+ ⅜
16⅞	14¼	AdaEx	1.82e	12.		49	15	14⅞	15	+ ⅛
16⅞	7¼	AMD				2125	8¾	8½	8⅝	– ⅛
42½	28¾	AMD pf	3	9.1		23	33	33	33	+ ⅛
8⅞	6½	Adobe				215	u 9¼	9	9¼	+ ⅜
19¾	16½	Adob pf	1.84	10		24	18	17⅞	18	+ ⅛
21¼	19⅞	Adob pf	2.40	12.		28	20¼	20¼	20¼	+ ⅛
9⅞	5⅞	Advest	.12	1.7	16	114	6⅞	6⅝	6⅞	
54⅞	39½	AetnLf	2.76	5.3	8	1327	52	51⅞	51⅞	+ ⅜
49	24	AflPb s	.22		5	1068	48	46¼	47	– 1
20	13½	Ahmans	.88	4.6	9	1285	19¼	18⅞	19	– ⅛
4⅝	2⅞	Aileen			18	21	3¼	3¼	3¼	
53⅞	37¼	AirPrd	1.20	2.9	10	1317	41¼	40⅞	41¼	+ ⅛
28⅞	15½	AirbFrt	.60	2.4	23	155	25⅝	24¾	25	– ⅝
18⅝	11⅞	Airgas			12	343	u19	18⅝	19	+ ⅜
20½	17½	Airlease	2.40	12.	9	14	19⅞	19⅞	19⅞	– ⅛
9⅝	8½	AlaP	dpt.87	9.4		7	9¼	9¼	9¼	
88	79½	AlaP pf	8.28	10.		2120	82	82	82	– ⅜
28¼	16⅝	AlskAir	.20	.7	9	680	27⅝	26½	26¾	– ⅝
19¾	14⅞	Albnyln	.30	1.7	11	38	17⅝	17¼	17⅝	+ ⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s
61⅝	48¼	BritPt	3.27e	5.9	13	887
8⅝	6¼	BrnP wt				20
15⅛	11	BrtStl pp				888
52	37¼	BritTel	1.95e	4.3	10	152
10	6¼	Broadln	.10	1.3		6065
25½	19¼	Broad pf	1.50	6.0		5
28½	22⅛	BHP n	1.15e	4.7	10	282
25⅝	22⅛	BklyUG	1.78	7.2	8	82
29	25½	BkUG pf	2.47	9.1		8
18½	13	BwnSh	.32	2.2	19	18
37	31	BrwnGp	1.60	4.8	72	18
33¼	20⅞	BrwnFr	.56	1.8	20	2235
23¾	16¼	Brnswk	.44	2.2	11	9125
30¼	24	BrshWl	.64	2.3	14	90
23⅝	19¾	Buckeye	2.40	11.	8	83
17⅞	16½	BunkrH	1.76a	11.		91
15¾	12¾	BKInv	1.60	13.	11	35
21¾	16¼	BurinCt			10	38
25½	21⅞	BrlNth	n1.20	5.2	7	4083
51¾	23⅞	BrlRsc	n.44e	1.0	82	2159
15¾	8⅞	Businld			12	639
		– C – C – C –				
33⅞	24⅞	CBI In	.60	1.9	38	486
197¼	146	CBS	4.40	2.3	17	230
4⅛	2⅞	CCX				195
11½	9¼	CCX pf	1.25	12.		z100
28⅞	14	CDI s			16	18
58⅛	42¾	CIGNA	2.96	5.7	9	800
10⅛	9	CIGHI	n1.26a	13.		233
24⅞	16¾	CML			11	37
28⅞	17⅝	CMS En			8	588
66⅞	52½	CNA Fn			8	282
12⅝	10⅞	CNAI	1.24a	11.	9	129
44⅝	22¾	CNW	.20e	.5	8	3277
34⅝	24	CNW pf	2.12	6.3		81
58⅞	43½	CPC	1.60	2.8	15	881
29⅝	17	CPI	.40	1.8	14	308
16¼	10¾	CRIIM	2.62e	24.	3	52
18	11¼	CRI II	3.07e	28.	7	89
16½	12¾	CRI III	1.68	12.	9	127

Continued on Page 47

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
[illegible]										

OVER-THE-COUNTER

Nasdaq national market, 2pm prices May 11

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

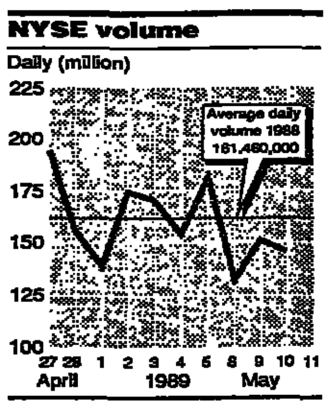
AMEX COMPOSITE PRICES

2pm prices May 11

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Dow fluctuates in sluggish trade after retail data



Wall Street

THE DAY began on a dull note yesterday with share prices fluctuating in a narrow range to stand slightly higher at mid-session compared with Wednesday's close, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 5.32 points up at 2,379.77 on sluggish volume of 85m shares. The Dow had risen by nearly 6 points in the opening half hour of the session after news of a smaller-than-expected 0.4 per cent rise in retail sales in April, but had then lost all the gain before rebounding.

The consensus forecast for the retail sales release had been for a gain of more than 1 per cent. The news pushed the bond market modestly higher but, in both markets, the positive impact was limited as dealers traded cautiously before today's April producer prices release.

The PPI is expected to have risen by 0.7 per cent compared with 0.4 per cent in March and gains of 1 per cent in both January and February.

Although the Dow Jones index broke out of its long run of eight daily declines on Wednesday, there has essentially been nothing to provoke a dramatic recovery or a further significant fall. The market is moving sideways with the only large overall fluctuations being prompted by waves of programmed stock index arbitrage trades whenever there is a large movement in bond futures contracts which feeds into stock index futures.

In the short-term, the direction of the equity market may hang on the results of yesterday's 30-year bond auction and the trend of yields. Today's PPI could also be important if it is out of line with expectations.

Markets remained confused about the Group of Seven's attitude towards dollar strength. The US currency yesterday rebounded after a touch of weakness earlier this week to stand at DM1.9130 and Y135.20.

Also released yesterday were the latest figures for claims for unemployment insurance which hinted that April's employment picture was not as weak as last Friday's figures suggested. In the week ended April 29, initial claims for insurance fell by 13,000.

In general terms, the equity market is now no longer deriving a simple, positive benefit from signs of economic slowdown. One reason for this is that inflation seems set on a rising trend, another is that investors have started focusing on the outlook for corporate profitability in the face of a broad economic deceleration.

Over-the-counter stocks held steady yesterday, with the NASDAQ Composite Index up 0.40 point at 430.04 at midsession. The OTC market has been enlivened recently by a number of takeover offers.

Yesterday, Dunkin' Donuts was one of the largest gainers in any market, piling on $5 to $39¾ after it emerged that an investor group including Unicorp Canada had made an offer to take the company private for at least $42 a share.

Canada

STRONG bond markets and buoyant gold and oil stocks lifted Toronto share prices at midday.

The composite index gained 7.9 to 3,583.0 as advancing stocks outnumbered declining ones by 242 to 212 on volume worth C$13.3m.

Spanish agentes devote energies to Repsol

In spite of a lack of sellers, it was the oil giant's day on the bolsa, writes Peter Bruce

THE agentes de Cambio y Bolsa, the brokers on the Madrid stock market, are very big deals indeed.

While the antiquated market goes about its chaotic, loud business and while their apoderados (*assistants*) run from corner to corner of the central pen on the bolsa's floor to the 10-minute-long corros that mark official trading in each quoted sector, they stand languidly about, smoking and silently making a lot of money.

The brokers themselves only get involved personally when the bell rings for trading to begin in the telephone monopoly, Telefonica. Until yesterday, that is.

At precisely 11.20 am, the same bell rang and, for a second, the place was quiet. The agentes were in their seats. This was Repsol's big day, the first day's trading in the 26.58 per cent of the oil conglomerate sold off in Spain, the US, Europe and Japan by the Government for Pta 135bn ($1.14bn).

A few minutes before the Madrid corro, news filtered through that the shares had closed in Bilbao at Pta 2,150, up 26.5 per cent on the Pta 1,700 offer price, and that there had been some sales.

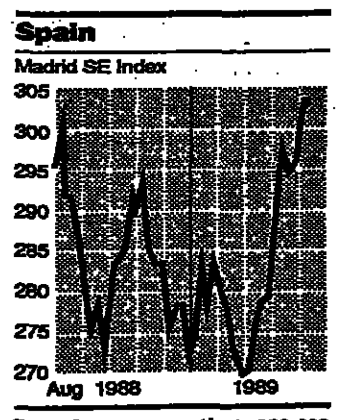
By 10 am one Madrid broker, Benito & Monjardin International (B&M), had already taken orders from outside Spain for more than half a million shares. Would there be any paper on offer?

The agentes were gathered below the bolsa's clock tower, a thick orange marble thing topped by a Baroque clock and inscribed with the names of members of the stock exchange who had died during the civil war. Someone said they were probably all nationalists.

The silence was quickly broken by a series of shouts after the market had set a 20 per cent premium on the trading, taking the highest possible price to Pta 2,040. "There's just money, no paper," an apoderado shouted over his shoulder to a friend at the back.

At about 11.23, another roar. Someone had asked for an impossible number of shares, but they just were not there. No one in Madrid was parting with the shares at 408 per cent above par.

At 11.25, quite suddenly, the shouting – and not a little nervous laughter – stopped and people began to drift away from the little pit. The shares had closed limit up (the maximum allowed in a day). But there had been not one sale, though there were unconfirmed rumours that 300,000 shares had changed hands at the very last second.



This seemed unlikely. The market would not allow any trading unless sellers put up at least 20 per cent of the 17m shares apparently being demanded – a lot of the demand, no doubt, made tongue in cheek. After hours, brokers reported they had been unable to make a single purchase in Madrid, although some had been able to find buyers through Bilbao.

Mr Juan Aznar at B&M said he had managed to buy 150,000 shares through the Basque bourse at a price between Pta 1,050 and Pta 2,150.

By late afternoon in Madrid, all eyes had turned to New York, where 1.5m shares had moved in the first 30 minutes of trading. By 5 pm in Spain, New York had sold 2.2m shares, with the price touching Pta 2,060. London brokers suspected their volumes were even heavier.

Madrid will probably take its cue today from New York. The absence of trading in Madrid was due largely to the fact that institutional investors had little intention of taking a quick profit on their allocations and that the small private Spanish investors, numbering more than 300,000, still do not have their shares.

The trading in Bilbao could probably be traced back to the Banco Bilbao Vizcaya, the big Basque bank which already owns 3 per cent of Repsol and was one of the most important underwriters of the 44m shares distributed in Spain.

Repsol executives on the floor of the Madrid bolsa wore satisfied smiles as they walked away after the vain attempt to find sellers during the corro. The company had come under heavy fire in the press in the morning for sharply cutting the amount of shares made over to applicants in the heavily oversubscribed national offering.

This was probably unfair, given Repsol's stated intention to spread the flotation as widely as possible. Most of the complaints were probably the work of embittered intermediaries whose hopes of collecting chunky commissions on big purchases had been dashed.

Anyway, noted Mr David Hobly of Warburg Securities in London, "the allocation pro rata in Spain has been tons better than it's been here, and rightly so." The 11m shares offered abroad by Repsol were oversubscribed eight times.

After the Repsol corro, most of the agentes left the floor, probably aware that yesterday was probably the last big moment they will experience there. On July 29, the sweeping market reforms being introduced by the Government come into force. The agentes, their fixed commissions, their 10-minute corros and their apoderados all go.

The brave agentes have already established brokerages. The timid may have to club together and do the same, *although there is precious little time left.* For everyone, though, a few Repsol trades on the floor today would be some consolation.

ASIA PACIFIC

Cautious investors confine Nikkei to modest advance

Tokyo

INVESTORS maintained their cautious stance yesterday because of fears of a possible increase in Japan's official discount rate. Share prices managed only a modest advance in directionless and thin trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average drifted narrowly throughout a day that was devoid of any news to give the market much direction. After moving from a high for the day of 34,082.48 to a low of 33,971.46, the Nikkei finished up 59.14 at 34,081.49.

Advances exceeded declines by 451 to 416, while 217 issues were unchanged. Turnover dropped further to 321.62m shares against 865.75m traded on Wednesday.

The Topix index of all listed shares climbed 2.91 to 2,537.99 while, in later London trading, the ISE/Nikkei 50 index rose 0.17 to 2,008.99.

Buying by index-linked, special investment funds helped support the market's gains. Trading continued to be unfocused, as the market suffered from a lack of clear leaders capable of stirring buying enthusiasm.

Individuals who have supported the market's most recent gains, are unable to sell on the small increases that shares have seen in the past few days as a result of the greater costs of trading caused by the new capital gains tax. They cannot take profits unless share prices rise considerably, but this is being prevented by the rapid cyclical buying pattern that has emerged in recent sessions.

Institutional investors, meanwhile, were unable to buy at the high price levels that many shares have reached, especially as they have failed to take part in the rally that raised prices to these levels.

Furthermore, they would have considerable difficulty justifying buying at present levels, when an increase in the official discount rate is widely expected in the near future.

Bullish expectations of further rises in May and June persist, as a result of an expected influx of funds from state-run pension funds and postal savings. However, investors prefer not to step up their activity in the market before they can ascertain price trends in Japan and the yen's course in the coming week. Both of these would be clues as to whether, when and to what level the Bank of Japan will raise the official discount rate.

The market's lack of energy was reflected both in its depressed volume and in the cyclical buying pattern of, particularly, special situation issues with quick price movements. Among them, Daiichi Chuo Kisen, the freight carrier, was heavily traded, adding Y101 to Y1,040.

Kayaba, the leading hydraulic equipment maker, and Mitsubishi Kakoki, a medium-sized manufacturer of oil and chemical equipment, also attracted substantial buying. Kayaba rose Y29 to Y998 and Mitsubishi Kakoki gained Y10 to Y1,200.

Sumitomo Metal topped the most actives list with 117.6m shares and rose Y23 to Y964. There has been a clear move by brokers to bring large-capital issues to the fore and Sumitomo Metal was seen as the leader among the large volume steels.

Interest shifted away from recently selected electricals to large-volume steels in Osaka. The OSE average posted a modest gain of 4.34 to 33,035.63 on volume up to 90.1m shares from 75.6m traded on Wednesday. Sumitomo Metal added Y19 to Y964.

Roundup

GAINS were made by all the leading Asian Pacific markets, but only Australia advanced strongly. Hong Kong inched ahead to another post-crash high, while Singapore shares were mixed.

AUSTRALIA advanced in moderate volume after good overnight demand in London and buoyed by a strong June index futures contract.

The All Ordinaries index gained 12.9 to 1,515.6 in turnover of 91m shares worth A$198m.

In industrials, News Corp surged 30 cents to A$12.65, Nylex gained 14 cents to A$4.78 and Amcor found 14 cents to A$4.44. Bond Corp picked up 8 cents to A$1.08 – recovering *from Wednesday's four-year low* – on news of the sale of its 50 per cent stake of its Hong Kong Bond Centre to EIE Development.

Australian National Industries, which is facing a A$1.40 bid from Consolidated Press Securities, picked up 2 cents to A$1.45 as 1.5m shares changed hands.

HONG KONG edged its way to another post-crash peak after a cautious day's trading.

The Hang Seng index rose 4.12 to 3,265.10 after opening slightly lower. Turnover was higher at HK$1.68bn, compared with HK$1.59bn on Wednesday.

Hongkong Land was again the most active, adding 15 cents to HK$10.60.

SINGAPORE saw profit-taking trim early gains inspired by Wall Street's overnight rise, and share prices closed mixed.

The Straits Times industrial index gained 6.65 to 1,287.32 in active turnover of 101m shares.

SOUTH AFRICA

JOHANNESBURG gold shares closed slightly firmer yesterday in an otherwise mixed and listless market.

EUROPE

Interest rate concern weighs down bourses

INTEREST RATE worries dampened trading again in Europe, although corporate news maintained interest in selective stocks, *writes Our Markets Staff.*

FRANKFURT saw activity gradually tail off as initial enthusiasm wore thin. The main kill-joy was the prospect of higher interest rates – the likelihood of which was reinforced, said one analyst, after the close when worse-than-expected domestic wholesale prices figures were released.

Wholesale prices rose in March to give an annualised rate of 6.5 per cent – the highest year-on-year figure since June 1982.

German money supply and producer prices data are also in the offing, along with a spate of economic figures from the US and consequently, "there was more than a sneaking suspicion that interest rates might rise on Thursday (when the Bundesbank next meets)," one analyst said.

The bearish outlook on rates sent the DAX index down 6.99 to 1,358.79, having risen 5.42 points earlier. The FAZ, which is based on midday prices, was little changed, off 0.01 at 575.88.

Foreigners stayed mostly on the sidelines and volume slipped to DM3.5bn.

Individual stocks overcame the general gloom, with VW closing DM4.20 higher at DM344.70, after reaching a peak of DM347. It announced a 30 per cent rise in annual profits the previous day.

Computer maker Nixdorf had what one analyst called "a nice speculative run," gaining DM4.70 to DM315.20 amid takeover talk. Feldmühle Nobel continued to rise, adding DM5.80 to DM360.30.

Deutsche Bank, trading ex a DM12 dividend, declined DM16 to DM534.

PARIS floundered again, spending all morning waiting for the US retail sales figures and then responding little in the afternoon to news that they were better than expected.

The CAC 40 index fell 4.27 to 1,672.52 and the OMF 50 index dropped 0.99 to 474.12. Volumes were again estimated at about FFr1.3bn.

Eurotunnel had a busy day, rising FFr1.75 to FFr94 with more than 1m shares traded in Paris. The stock was also popular in London, reportedly highlighted by the current 28.6m warrants issue being lead managed by Salomon Brothers.

Club Med saw profit-taking after recent sharp rises on takeover rumours, losing FFr8 to FFr598, while car maker Peugeot continued to slide, falling FFr3 to FFr1,652. Galeries Lafayette, the retailer, had a healthy session, gaining FFr99, or 7 per cent, to FFr1,520 on continued rumours that Sir Ron Brierley might increase his stake.

AMSTERDAM weakened in low activity, with Royal Dutch/Shell one of the few advancing stocks. The CBS trend index eased 1.3 to 177.8.

Royal Dutch gained Fl 1.90 to Fl 138.80 after reporting a sharp rise in first quarter profits – above expectations.

Hoogovens, the steel maker trading ex a Fl 4 dividend, declined Fl 5 to Fl 100.20. Profit-taking sent Nedlloyd, the shipping company, Fl 15.30, or 3.7 per cent, lower to Fl 390.20 after recent speculative gains. Truck company Frans Maas fell Fl 1.50 to Fl 67 after saying it was planning a rights issue next month.

Schuitema, the retailer, rose Fl 25 to Fl 1,650, taking its gain to Fl 100 since the court ruling on a case brought by a former shareholder on Wednesday.

MILAN dipped slightly in lacklustre trading in volume estimated to be similar to the previous day's. The Comit index fell 1.69 to 606.63.

One of the day's most active shares was Montedison, which closed L7 up at L2,150, before being marked lower at L2,135.

MADRID lost ground as all eyes fixed on the start of trading in Repsol. The general index eased 0.41 to 303.25.

ZURICH remained in the grip of inflation worries, losing ground amid news of a 2.6 per cent annual rise in domestic inflation last month – the highest annual rate since December 1985.

The rise fuelled fears of higher interest rates and the Crédit Suisse fell 2.2 to 561.1.

STOCKHOLM closed slightly higher in moderate trading with interest concentrated on Ericsson shares. Ericsson free B shares rose SKr7 to SKr457 on strong foreign buying.

The activity was seen as a healthy sign in a market where pessimism has grown in the past few weeks. Total turnover was worth SKr201m.

Trading was generally unaffected by Wednesday's government proposal to introduce a temporary compulsory savings scheme in an effort to cool the economy.

Just after the market closed, Sandvik, the cemented carbide and special steels group, revealed an 18 per cent increase in first quarter net profits to SKr705m. Sandvik free B shares closed unchanged at SKr350.

BRUSSELS ended mixed after moderate business with no special factors to influence trading. The cash market index rose 16.78 to 5,997.36.

FN, the arms and aeronautical subsidiary of Société Générale, rose BFr32 to BFr752.

OSLO fell across the board as investors continued to take profits on recent gains.

The all-share index fell 3.69 points to 485.54 in moderate trading volume worth NKr390m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 10 1989						TUESDAY MAY 9 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (89)	135.79	−0.1	120.41	113.95	+0.4	4.89	135.88	121.32	113.55	157.12	128.28	120.38
Austria (19)	123.64	+0.8	109.63	122.43	+0.3	2.10	122.61	109.48	122.07	124.16	92.84	90.69
Belgium (63)	133.01	+0.7	117.94	131.20	+0.1	4.15	132.07	117.92	131.10	137.10	128.52	126.25
Canada (127)	134.66	+0.2	119.41	115.50	−0.1	3.40	134.42	120.02	115.59	137.27	124.67	118.81
Denmark (38)	181.03	+0.4	160.52	182.51	+0.0	1.83	180.30	160.99	182.51	181.03	165.35	120.64
Finland (26)	150.66	+0.3	133.59	134.06	−0.2	1.56	150.21	134.11	134.32	159.16	125.81	130.29
France (130)	117.87	+0.0	104.52	118.93	−0.5	3.13	117.86	105.23	119.57	122.79	112.57	88.76
West Germany (100)	85.17	+0.6	75.52	84.35	+0.0	2.37	84.69	75.61	84.34	90.40	81.77	72.51
Hong Kong (49)	139.42	+0.8	123.63	139.24	+0.7	3.84	138.37	123.55	138.22	139.42	111.80	101.01
Ireland (17)	146.12	+0.4	129.56	146.59	−0.3	2.87	145.48	129.89	147.00	151.36	125.00	122.79
Italy (98)	80.24	+0.9	71.15	83.19	+0.3	2.53	79.56	71.04	82.95	86.88	78.16	74.88
Japan (455)	191.22	+0.2	169.56	162.45	−0.1	0.47	190.89	170.44	162.66	200.11	180.30	173.17
Malaysia (36)	182.29	−0.2	161.64	189.24	−0.4	2.52	182.70	163.13	190.02	182.70	143.35	130.36
Mexico (13)	180.74	−0.6	160.27	483.26	−0.1	1.04	181.85	162.37	483.85	182.88	153.32	134.09
Netherland (42)	118.13	−0.2	104.75	115.71	−0.8	4.45	118.42	105.74	116.61	122.22	110.63	104.70
New Zealand (24)	71.71	−0.2	63.59	61.36	+0.0	5.97	71.69	64.19	61.38	76.02	66.84	77.52
Norway (26)	184.66	−1.0	163.74	172.56	−1.4	1.55	186.45	166.48	175.00	198.39	139.92	114.36
Singapore (26)	157.08	+0.2	139.29	141.41	+0.0	1.91	156.76	139.97	141.34	158.22	124.57	111.35
South Africa (60)	135.27	+0.4	119.95	124.50	+0.4	4.17	134.79	120.35	124.06	144.86	115.35	123.46
Spain (42)	153.74	+0.1	136.32	137.96	−0.3	3.56	153.61	137.16	138.31	156.17	143.14	149.39
Sweden (35)	156.62	+0.2	138.88	149.43	−0.2	2.30	156.29	139.54	149.75	162.00	138.45	121.12
Switzerland (57)	72.98	+0.5	64.71	76.57	−0.1	2.42	72.59	64.81	76.68	79.76	72.59	76.40
United Kingdom (315)	146.82	+0.3	130.19	130.19	−0.4	4.36	146.35	130.67	130.67	153.33	134.53	137.62
USA (560)	124.63	+0.2	110.51	124.63	+0.2	3.58	124.35	111.03	124.35	125.97	112.13	103.13
Europe (1008)	118.89	+0.3	105.42	112.17	−0.3	3.59	118.50	105.80	112.48	121.70	114.02	106.93
Nordic (125)	154.05	+0.2	136.60	143.84	−0.3	1.98	153.79	137.31	144.21	155.81	137.95	112.35
Pacific Basin (679)	186.72	+0.2	165.57	159.17	−0.1	0.68	186.39	166.42	159.32	194.72	176.37	168.27
Euro – Pacific (1687)	159.59	+0.2	141.51	140.47	−0.2	1.56	159.23	142.17	140.68	164.22	152.83	143.74
North America (687)	125.14	+0.2	110.96	124.07	+0.2	3.57	124.86	111.49	123.82	125.52	112.79	103.97
Europe Ex. UK (693)	101.54	+0.3	90.04	101.03	−0.2	2.95	101.20	90.36	101.24	105.29	98.84	87.95
Pacific Ex. Japan (224)	132.69	+0.2	117.66	117.86	+0.4	4.29	132.38	118.20	117.37	137.65	123.48	109.17
World Ex. US (1887)	158.49	+0.2	140.54	139.61	−0.1	1.64	158.14	141.20	139.81	162.77	152.04	142.67
World Ex. UK (2132)	145.16	+0.2	128.72	134.96	+0.0	2.03	144.85	129.33	134.95	146.04	138.06	126.44
World Ex. So. Af. (2387)	145.38	+0.2	128.89	134.57	+0.0	2.23	145.04	129.50	134.61	146.65	138.82	127.44
World Ex. Japan (1992)	123.30	+0.3	109.33	119.94	+0.0	3.61	122.97	109.80	119.89	124.65	114.51	105.46
The World Index (2447)	145.29	+0.2	128.83	134.50	+0.0	2.24	144.97	129.44	134.54	146.51	138.83	127.42

Latest prices were unavilable for this edition.